

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

Manufacturing sector grows strongly at end of 2017

Key findings:

- Output growth ticks up to 31-month high
- New orders continue to rise solidly
- Rate of job creation remains elevated

Data collected December 5-14

December data pointed to another strong performance by the Spanish manufacturing sector at the end of 2017. Production rose sharply on the back of a solid increase in new orders. In order to support output growth, firms continued to raise employment and purchasing activity at elevated rates.

On the price front, rises in raw material costs meant that both input prices and output prices increased again, albeit at slightly reduced rates.

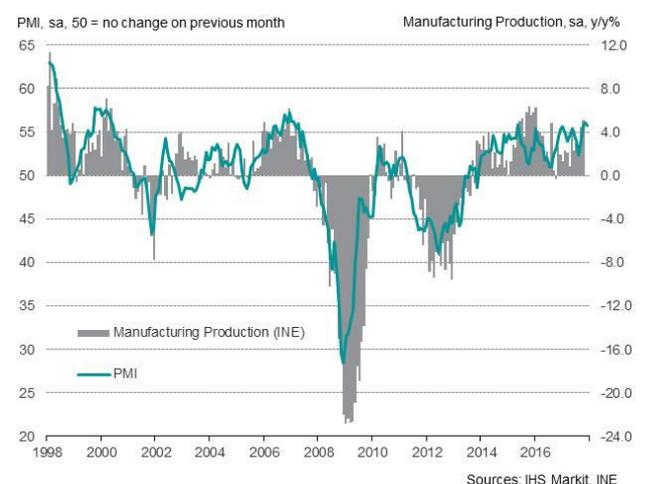
The headline IHS Markit Spain Manufacturing PMI[®] is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the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

The PMI posted 55.8 in December, down slightly from the near 11-year high of 56.1 in November but still signalling a marked monthly improvement in the health of the sector. Business conditions have now strengthened in each of the past 49 months.

Central to the latest improvement in operating conditions was a substantial monthly rise in production. The rate of expansion quickened fractionally to a 31-month high, with firms linking growth to stronger client demand.

Improving demand was also mentioned by those firms recording a rise in new orders. New business increased at a solid pace, albeit one that was the

IHS Markit Spain Manufacturing PMI v Official data



slowest in three months. Meanwhile, new export orders rose sharply again.

Pressure on capacity was again signalled by a further rise in backlogs of work, which occurred despite a strong expansion in production. In response, manufacturers aimed to expand capacity further, raising employment at a substantial pace that was one of the fastest seen throughout the survey to-date.

Firms also increased their purchasing activity sharply amid growth of new orders and efforts to replenish stocks. As a result, pre-production inventories rose for the fourth month running. Stocks of finished goods also increased over the month, albeit slightly.

Manufacturers were faced with another increase in costs when making purchases. Higher prices for steel and oil were mentioned in particular. That said, the rate of inflation ticked down from November. Output prices also increased at a slower pace, but inflation has now been recorded in 15 successive months.

Suppliers' delivery times lengthened to the greatest extent since August 2013 amid a combination of strong demand for inputs and stock shortages at suppliers.

Firms were confident at the end of 2017 that the coming year will see further growth of output, with optimism at a three-month high. Positive sentiment was largely based around predictions of rising sales.

Comment

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

"Spanish manufacturers ended 2017 on a high, the sector registering further strong improvements in December. Although new order growth eased, firms continued to ramp up production and took on extra staff at a near-record pace, reflecting the success they have had in securing new work over recent months.

"2017 has been a strong year overall, with the average PMI reading the best since 2006. The sector therefore is in good shape heading into 2018."

-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 www.markit.com/product/pmi.

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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