

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

New order growth eases to slowest for a year

Key findings:

- Weaker increases in new business and production
- Employment continues to rise solidly
- Cost inflation accelerates, in part due to supply shortages

Data collected August 11-23

Growth eased in the Spanish manufacturing sector during August, with weaker rises in output, new orders and employment recorded. Meanwhile, cost pressures intensified on the back of higher raw material prices, but firms increased their output prices at a weaker pace.

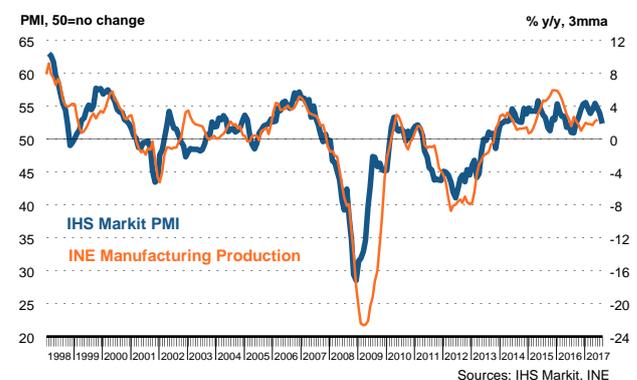
The headline IHS Markit Spain Manufacturing PMI[®] is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the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

The PMI dropped to 52.4 in August from 54.0 in July. Although continuing to signal improving business conditions, the latest strengthening of the health of the sector was the least marked since September last year. The rate of improvement has now eased in three successive months.

Matching the trend in the headline index were weaker rises in output and new orders. Total new business increased at a modest pace that was the slowest for a year. Meanwhile, new export orders rose solidly as firms entered new international markets.

Manufacturing production rose for the forty-fifth successive month, but the rate of growth continued to slow from May's recent high.

IHS Markit Spain Manufacturing PMI v Official data



A weaker rise in new orders meant that capacity pressures built to a lesser extent in August. Although backlogs of work continued to increase, the rate of accumulation was slight.

Manufacturers took on extra staff at a solid pace, albeit one that was weaker than the 19-year high seen in July. Some panellists mentioned having taken on staff to work on R&D projects.

Predictions of increased production capacity, as well as higher new orders, supported a pick-up in business sentiment during the month. Optimism was the highest since February, with two-fifths of respondents forecasting a rise in output over the coming year.

There were further signs of supply-chain pressures in August. The rate of input cost inflation quickened to a three-month high, with some panellists mentioning shortages at suppliers. This also contributed to a marked lengthening of vendor lead times.

Some firms increased their output prices in response to higher raw material costs. That said, selling prices rose only slightly and at the slowest pace in nine months.

Purchasing activity continued to expand during August amid increasing new order levels. The rate of expansion eased, however.

Inventories of both purchases and finished goods decreased in August, in each case for the second month running. Moreover, rates of inventory depletion accelerated. Stocks of purchases fell at the fastest pace since April 2014, with post-production inventories down to the greatest extent in 22 months.

Comment

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

“The latest Spanish manufacturing PMI survey offers mixed signals regarding trends in the sector. On the one hand, both output and new orders rose at the weakest rates in around a year, highlighting a

loss of growth momentum which will be a cause for concern if it continues in coming months.

“On the other hand, business confidence picked up, and further solid job creation was recorded. Anecdotal evidence pointed to efforts to increase operating capacity and invest in R&D, suggesting that firms aren’t presently too worried about the recent slowdown in growth.”

-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 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.

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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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