

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

Fastest rise in employment since July 1998

Key findings:

- Rate of job creation at near-record high
- Business sentiment picks up
- Cost inflation fastest since April 2011

Data collected January 12-24

The Spanish manufacturing sector started 2017 in a similar fashion to how it ended 2016, with sharp rises in output and new orders recorded. The key highlight from the latest survey was the sharpest rise in employment since July 1998, while business sentiment picked up. On the price front, rates of both input cost and output price inflation quickened markedly amid reports of higher raw material costs.

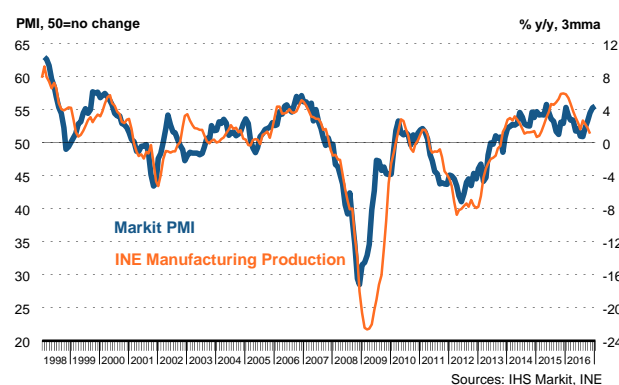
The headline Markit Spain Manufacturing PMI® is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector.

The headline PMI ticked up to 55.6 in January from 55.3 in the previous month, signalling a further marked improvement in the health of the sector, and one that was the strongest since May 2015.

New orders increased at a sharp pace that was little-changed from that seen at the end of 2016. According to respondents, the rise was reflective of stronger client demand and increased new export orders. The rate of growth in new export business quickened to the sharpest in 20 months.

Growth of production and new orders led manufacturers to increase their staffing levels in January. In fact, the rate of job creation was one of the sharpest since the survey began in February 1998.

Markit Spain Manufacturing PMI v Official data



Despite the increase in operating capacity, the strength of the rise in new orders meant that backlogs of work continued to be accumulated. Outstanding business has now increased in each of the past 16 months.

The rate of input cost inflation accelerated sharply in January and was the fastest since April 2011. Respondents signalled higher costs for raw materials including steel, alongside increases in prices for fuel and energy.

Greater input prices fed through to an increase in prices charged. The rate of inflation in output prices was sharp, having quickened to a 70-month high.

Manufacturers in Spain continued to raise their purchasing activity in response to increased production requirements. The length of time that suppliers took to deliver these inputs increased again amid reports of stock shortages at suppliers.

Growth of purchasing helped lead to a first monthly rise in stocks of purchases in three months. Stocks of finished goods also accumulated for the first time since October as panellists prepared for expected future sales growth.

Business confidence picked up in January and was the highest for two years. Around 49% of respondents predicted a rise in output over the coming year, linked to expectations that new business would increase.

Comment

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

“The Spanish manufacturing sector posted a strong start to 2017, highlighted by one of the sharpest rises in employment in the survey’s 19-year history. This suggests that companies are becoming more and more confident in the sustainability of the current upturn in new business, something that was also evident from the newly released future output

index for the survey which jumped to a two-year high.

“One potential headwind signalled by recent surveys is building inflationary pressures. Input costs rose at the fastest pace in almost six years as the rate of inflation quickened for the fifth month running. That said, more robust demand enabled firms to pass on higher costs to clients through increased output prices, something that they had struggled to do in previous years.”

-Ends-

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Note to Editors:

The Spain Manufacturing *PMI*[®] (*Purchasing Managers' Index*[®]) 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.

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.

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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