

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

PMI dips to 11-month low as new order growth eases

Key findings:

- Weakest rise in new orders since last August
- Employment and purchasing activity also increase at slower rates
- Rate of input cost inflation at five-month high

Data collected July 12-24

Business conditions in the Spanish manufacturing sector improved at a moderated pace in July as growth continued to lose momentum from earlier in 2018. Although output increased at a slightly faster pace than in June, rates of expansion in new orders, employment and purchasing activity all slowed.

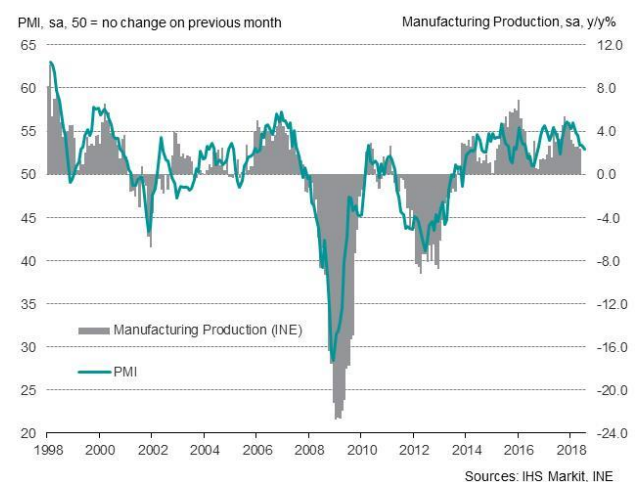
Meanwhile, the rate of input cost inflation accelerated again, with higher aluminium prices widely mentioned. This fed through to a further solid increase in output prices.

The headline IHS Markit Spain Manufacturing PMI[®] – a composite single-figure indicator of manufacturing performance – dropped to 52.9 in July from 53.4 in June. Although continuing to signal a solid strengthening of the health of the sector at the start of the third quarter of the year, the PMI pointed to the weakest improvement since August last year.

The softer improvement in business conditions partly reflected slower new order growth. The latest rise in new business was the weakest for almost a year amid signs that demand had eased. That said, some respondents continued to report improving market conditions and new export order growth accelerated.

Firms responded to higher new orders by increasing production for the fifty-sixth successive month. In contrast to the picture for new business, production rose at a faster pace than in June. With

IHS Markit Spain Manufacturing PMI v Official data



output growing more quickly than new orders, stocks of finished goods rose for the eleventh month running.

Softer growth of new orders was matched by a weaker increase in employment during July, with job creation the slowest since April. Meanwhile, backlogs of work rose marginally again, with the rate of accumulation unchanged from June's 23-month low.

The rate of expansion in purchasing activity eased and was the slowest in the current two-year sequence of growth. The modest rise in purchasing fed through to a second successive accumulation of stocks of purchases, however.

The rate of input cost inflation accelerated for the third month running in July and was the fastest since February. Higher aluminium prices were mentioned by a number of respondents.

The passing on of greater input costs to customers resulted in a twenty-second consecutive monthly rise in output prices. The latest increase was solid,

albeit weaker than that seen in June.

Suppliers' delivery times continued to lengthen during July, but the rate of deterioration in vendor performance was the least marked in ten months.

Expected growth of new orders is set to support increases in production over the coming year. Confidence among manufacturers remained strongly positive in July, but was unchanged on June's six-month low.

Comment

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

"Although output growth picked up in July, other indices from the PMI survey pointed to a moderation in the rate of expansion. Most notably, new orders rose at the weakest pace for almost a year. While the sector remains comfortably in

growth territory at present, firms are having to adapt to a demand environment which is less buoyant than was the case at the start of the year."

-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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