

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

Fastest rise in employment since May 1998

Key findings:

- Rate of job creation accelerates
- Output and new orders rise at weaker rates
- Most marked deterioration in suppliers' delivery times in nearly four years

Data collected July 12-24

Spanish manufacturing firms raised employment at the fastest pace in over 19 years during July as production requirements continued to rise. This was despite slower increases in both output and new orders during the month. Meanwhile, the recent run of easing inflationary pressures came to an end, with faster increases in both input costs and output prices signalled.

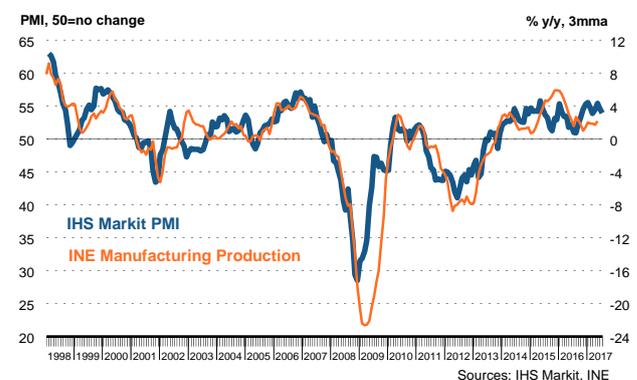
The headline IHS Markit Spain Manufacturing PMI[®] is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the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

At 54.0, the headline PMI signalled a solid monthly improvement in the health of the manufacturing sector. That said, the reading was down from 54.7 in June and pointed to the weakest improvement in business conditions since March.

The rate of expansion in total new orders eased for the second month running in July and was the slowest since September 2016. In contrast, new export orders rose at a sharp and accelerated pace.

In line with the trend in overall new orders, manufacturing production increased at a slower rate, with the latest rise the weakest in nine months. That said, production growth remained solid. Some panellists suggested that raw material shortages restricted the rate of expansion.

IHS Markit Spain Manufacturing PMI v Official data



This was supported by anecdotal evidence around backlogs of work and suppliers' delivery times. Raw material shortages was reportedly a key factor behind longer vendor lead times, with July's deterioration the most marked in close to four years. Meanwhile, backlogs rose solidly amid improving demand and supply issues.

Manufacturers made efforts to expand their capacity by taking on extra staff at a rapid rate. The latest rise in employment was the strongest since May 1998.

Rates of inflation in both input costs and output prices picked up in July, thereby ending the recent easing trends. Those respondents seeing input prices rise mentioned higher costs for raw materials including cereals, paper, plastics and steel. Companies subsequently passed on higher cost burdens to their clients, resulting in a solid increase in output prices.

Manufacturers increased their purchasing activity at a solid pace in July, in response to higher production requirements. Input buying has now risen on a monthly basis throughout the past year. Despite this increase, stocks of purchases

decreased for the third time in the past four months, a trend matched with regards to stocks of finished goods.

Finally, business sentiment remained strongly positive amid predictions of higher new orders and rising capacity.

Comment

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

“There were signs of a loss of growth momentum in the Spanish manufacturing sector during July, but rates of expansion in output and new orders remained solid and firms were able to secure new export business at a stronger pace than in June. There were suggestions that output was held back

to some extent by supply chain pressures, with raw material shortages leading to the sharpest lengthening of delivery times in four years and firms seeing a more marked accumulation of backlogs of work as a result.

“Measures to improve capacity included a further sharp increase in employment, and one that was the steepest in more than 19 years. This, allied with predictions of further new order growth, fuels optimism that output will continue to rise as the second half of the year progresses.”

-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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