

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

Manufacturing production rises at fastest pace since January

Key findings:

- Faster rises in output and new orders
- Rates of inflation for input costs and output prices accelerate
- Sharpest increase in backlogs for ten years

Data collected December 5-15

Growth continued to strengthen in the Spanish manufacturing sector in December, with rates of expansion in output and new orders the fastest since the start of 2016. Firms took on extra staff at a marked pace accordingly. Inflationary pressures continued to build, with rises in both input costs and output prices at multi-year highs.

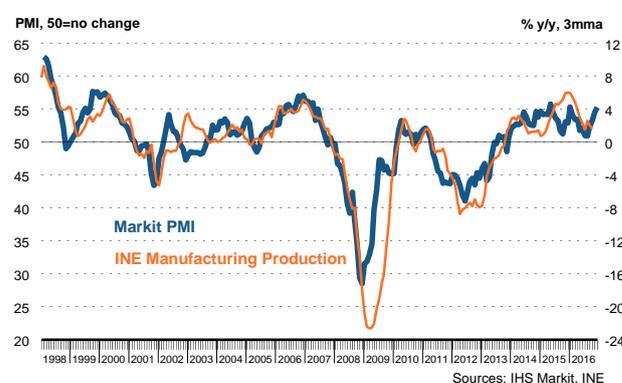
The headline Markit Spain Manufacturing PMI® is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector.

The PMI rose to 55.3 in December, up from 54.5 in the previous month and signalling a marked monthly strengthening of the health of the sector. Moreover, the latest improvement was the greatest since January. Business conditions have now strengthened in each of the past 37 months.

Manufacturing production rose sharply in December, and at the fastest pace since January. The rate of growth has now accelerated in four consecutive months, with panellists mentioning higher new orders.

The rate of expansion in new orders also quickened amid reports of stronger client demand. Total new business growth was supported by a marked and accelerated rise in new export business.

Markit Spain Manufacturing PMI v Official data



Higher workloads placed pressure on operating capacity in December. In fact, backlogs of work rose to the greatest extent in ten years. Responding to increased workloads, manufacturers took on extra staff again. The rate of job creation was little-changed from November's 16-month high. Panellists also used inventories to help fulfil new orders, leading to a second successive reduction in stocks of finished goods.

The rate of input cost inflation quickened to the fastest in 67 months during December amid reports of higher prices for items including fuel, milk and steel. In turn, manufacturers increased their output prices at a solid pace. Moreover, the rate of inflation accelerated to the sharpest since April 2011.

Purchasing activity increased at a marked pace during December as firms responded to rising production requirements. Input buying has now expanded in five successive months.

Suppliers' delivery times continued to lengthen, with stock shortages mentioned by some respondents as having contributed to delays.

Supply problems meant that stocks of inputs decreased in December, in spite of a sharp rise in

purchasing. That said, the rate of depletion was only modest.

Comment

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

“The Spanish manufacturing PMI signalled that the sector ended 2016 on a high, with growth back at the levels seen at the start of the year. The picture is much more positive than in the summer when

output and new orders stagnated. The rate of cost inflation continued to strengthen, but firms were often able to raise their output prices in response. In fact, charges increased at the fastest pace in more than five-and-a-half years, suggesting that client demand is robust enough to withstand price rises.”

-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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