

News Release

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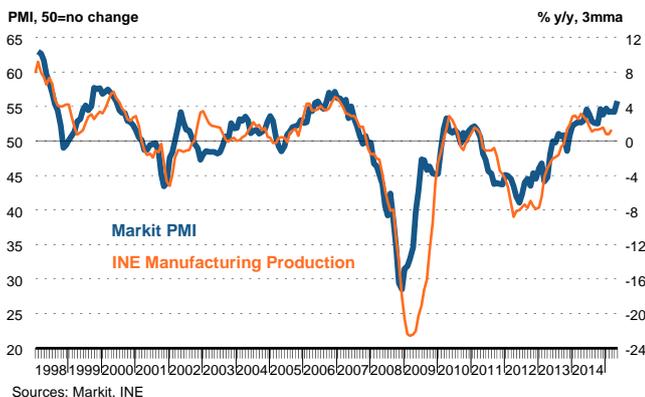
Markit Spain Manufacturing PMI®

Growth of output sharpest since April 2007

Key points:

- Faster rises in output, new orders and employment
- Cost inflation quickens, leading to increased charges
- Stocks of both purchases and finished goods increase

Historical overview:



Summary:

May data pointed to a further gain of momentum in the Spanish manufacturing sector with accelerated growth of output, new orders and employment all recorded. There was another pick up in the rate of cost inflation, leading firms to raise their output prices for the first time in five months.

The seasonally adjusted Markit Spain Purchasing Managers' Index® (PMI®) – a composite indicator designed to measure the performance of the manufacturing economy – rose to 55.8 in May from 54.2 in April, signalling a sharp improvement in business conditions that was the strongest since April 2007. Improving operating conditions have now been registered on a monthly basis throughout

the past year-and-a-half.

Manufacturing new orders rose sharply during May, with the rate of growth quickening to the fastest in more than eight years. Panellists reported improving market conditions and growth of new export orders. In fact, new business from abroad increased at a marked pace, extending the current sequence of expansion to 25 months. Some panellists reported that the recent weakness of the euro against the US dollar had helped them to secure new export orders.

Rising new business in both domestic and export markets contributed to another expansion of output, one that was the strongest since April 2007.

The strength of the rise in new orders led to an increase in backlogs of work during May. As production requirements increased, manufacturers raised their staffing levels. Moreover, the rate of job creation quickened from April and was solid. Sharp growth of purchasing activity was also partly attributed to higher output requirements.

Manufacturers posted a third consecutive monthly rise in input prices. Furthermore, the rate of inflation accelerated to the fastest since September 2012. Respondents noted higher prices paid for aluminium, petrol and plastics, while the weakness of the euro had also acted to push up cost burdens. As a result, firms increased their charges for the first time in five months.

Suppliers' delivery times continued to lengthen in May, amid low stock holdings at suppliers and mentions of material shortages in some cases. This was another factor behind growth of purchasing activity, as firms looked to protect themselves from the possibility of further delays. As a result, stocks of purchases increased for the second month running, albeit only marginally.

Holdings of finished goods were accumulated, ending a five-month sequence of decreasing post-production inventories. According to panellists, strong output growth had helped them to build stock levels.

Comment:

Commenting on the Spanish Manufacturing PMI® survey data, Andrew Harker, senior economist at Markit and author of the report, said:

“The latest PMI data show that the Spanish manufacturing sector is not only sustaining recovery during Q2, but growth seems to be accelerating. Both output and new orders rose at rates not seen since before the economic crisis began in 2007. There was further evidence of inflationary pressures returning to the sector as input costs rose at the sharpest pace in more than two-and-a-half years, in part reflecting recent euro weakness.”

-Ends-

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Notes to Editors:

The Spain Manufacturing PMI® (*Purchasing Managers' Index*®) is produced by Markit Economics. 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 Standard Industrial Classification (SIC) group, based on the industry contribution to GDP.

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@markit.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.

About Markit

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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/economics.

About AERCE

The Spanish Association of Purchasing Managers and Supply. Established in 1981, it encompasses approximately 1600 members, distributed across ten sections. AERCE represents Spain in the International Federation of Purchasing and Supply Management (I.F.P.S.M).

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