

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 09:15 (Madrid) / 08:15 (UTC) March 1st 2017

Markit Spain Manufacturing PMI®

Manufacturing output increases markedly again in February

Key findings:

- Further sharp rises in output and new orders
- Rate of job creation remains elevated
- Firms look to build stocks amid faster cost inflation

Data collected February 10-21

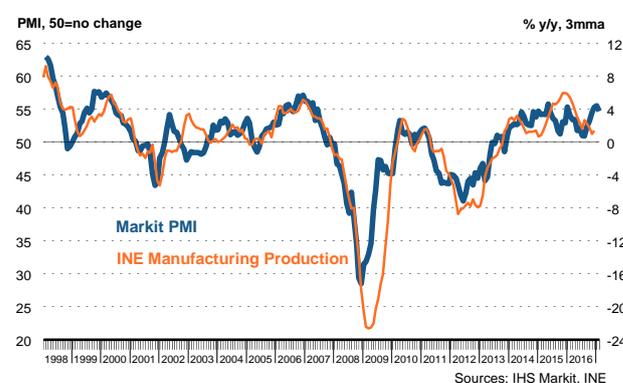
Spanish manufacturers continued to record marked growth of output and new orders during February, helping to generate a further sharp rise in employment. There was ongoing evidence of strengthening price pressures, with some firms reportedly building inventories in order to protect against further increases in raw material costs in coming months.

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 registered at 54.8 in February, down from 55.6 in January but still signalling a solid monthly improvement in the health of the manufacturing sector. Business conditions have now improved in each of the past 39 months.

Both output and new orders continued to increase markedly during February, despite rates of growth easing in each case. Improving client demand supported rises in new orders from both domestic and export clients, subsequently leading to higher production. Output increased across each of the three monitored broad sectors, led by intermediate goods.

Markit Spain Manufacturing PMI v Official data



Some panellists also mentioned that output had been raised in order to support inventory building. On this front, stocks of finished goods increased for the second month running.

Production growth helped to reduce the pace at which backlogs of work rose, although February still saw a slight build-up, linked to higher new orders.

After having risen at the fastest pace since July 1998 in January, employment continued to increase sharply in February, with the rate of job creation only slightly weaker than that seen in the previous month.

The rate of input cost inflation accelerated for the sixth month running and was the fastest since April 2011. Panellists reported higher costs for raw materials, with steel mentioned in particular.

The passing on of increased input costs to clients resulted in a further marked rise in output prices, albeit one that was weaker than January's 70-month high.

Efforts to reduce exposure to expected future rises in input costs were partly behind a sharp increase in purchasing activity in February. In turn, this led to

a second successive monthly increase in stocks of purchases, with the modest accumulation the fastest since January 2016.

A further deterioration in supplier performance was recorded, with the latest lengthening of lead times the most marked since August last year. According to respondents, a lack of stocks held by vendors was the main factor leading to delivery delays.

Comment

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

“The Spanish manufacturing sector continued its strong start to the year in February, with improving demand continuing to support marked rises in new

orders and production. Price pressures appear to be having an increasing impact on the sector, however, with the rate of cost inflation quickening for the sixth month running. In fact, some firms reported increasing their input buying and inventories of purchased items in February in an effort to mitigate the effects of further raw material price rises in coming months. Building inflationary pressures will continue to test the resilience of client demand, which up until now has been able to withstand price increases.”

-Ends-

For further information, please contact:

IHS Markit

Andrew Harker, Senior Economist
Telephone +44-1491-461-016
Email andrew.harker@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44-207-260-2234
E-mail joanna.vickers@ihsmarkit.com

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).

AERCE

BARCELONA

Rambla Catalunya 120, 1º 1ª

08008 Barcelona - Spain

MADRID

Paseo de la Castellana 121, 7º D

28046 Madrid - Spain

Tel: +34 934 510 960

e-mail: info@aerce.org

website: www.aerce.org

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