

# Spain

## PMI data signals deflation of Spanish producer prices

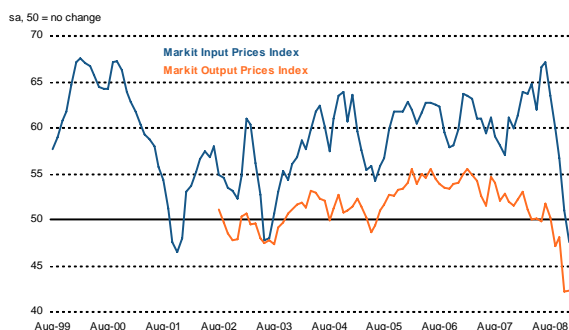
### Key findings

- Both input prices and output charges fell in December.
- Official data points to marked easing of inflation.

### PMI data show price deflation

In December, for the first time since July 2003, both the composite PMI Input Prices Index and the Output Prices Index – created by weighting together the respective indices from Markit’s Spanish Manufacturing and Services PMI surveys – signalled deflation (see Chart 1). Input prices fell at the sharpest pace since November 2001, while the latest decline in output charges extended the current period of deflation to four months.

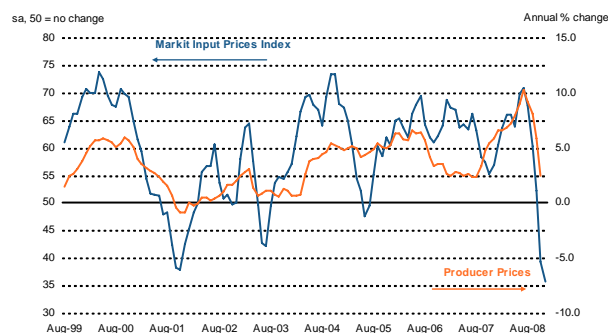
**Chart 1: PMI Composite Price Indices**



### PMI data signal deflation on the horizon

The fall in input prices has been largely centred on the manufacturing sector, where input costs fell sharply in December. Official producer price inflation fell to 2.5% in November, from a recent peak of 10.3% in July. Should the official data continue to be closely matched to the Markit Manufacturing Input Prices Index – as it has been since mid-2007 (see Chart 2) – producer price deflation will be recorded in early 2009 and consumer prices could follow suit.

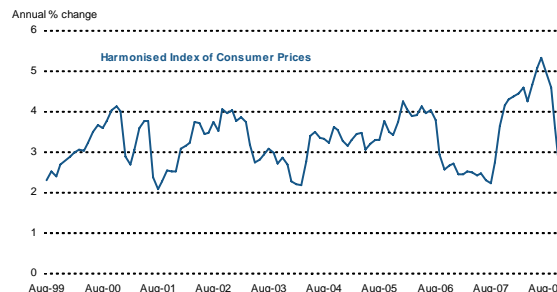
**Chart 2: Producer Prices**



### Official consumer price inflation falling fast

In line with the PMI data, official inflation eased markedly over the second half of 2008. Inflation using the Harmonised Index of Consumer Prices (HICP) had been as high as 5.3% in July, but a flash estimate from the National Statistics Institute (INE) indicated that by December, the annual rate had dropped to 1.5%, from 2.4% in November (see Chart 3). The final December figure is released on 15 January.

**Chart 3: Consumer Price Inflation (includes flash figure for December)**



The January Spain Manufacturing PMI is released on 2 February 2009, followed by the Services PMI published on 4 February. To find out how to receive data from the surveys, or obtain copies of the reports please contact [economics@markit.com](mailto:economics@markit.com)

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