

# Spain

## Recession in Spain.

### Key findings

- Spain enters recession after worst drop in GDP for 15 years.
- PMI data successfully predicted the contraction.

### Spain enters recession

Q4 GDP data from the National Statistics Institute (INE) confirmed that Spain is officially in recession. GDP fell by 1.0% on a quarterly basis and by 0.7% year-on-year. The quarterly contraction was the sharpest since 1993 Q1 despite the data being slightly less weak than had been expected. This followed a revised fall of 0.3% in Q3.

Recession had been signalled well in advance by Markit PMI data, as had the faster rate of decline (see also our commentary note released on 14<sup>th</sup> November 2008\*). The Markit Composite Business Activity Index pointed to falling activity throughout 2008, with the pace of decline increasing sharply over the second half of the year (see Chart 1).

PMI data suggest that the falls have been broad-based, with severe contractions recorded in both the manufacturing and service sectors (see Chart 2). Manufacturing output has decreased in each month since February 2008, while the contraction in services activity started one month earlier. In each of the past three months, manufacturing output has declined at a faster pace than services activity.

### Recession continued at start of 2009

January PMI data indicated that the falls in activity continued at the start of 2009. Although the pace of reduction in manufacturing eased compared with the previous month, it remained substantial. January's decline in services activity was slightly steeper than that seen in December. Currently there appears to be little sign of recovery in the Spanish economy.

Chart 1: Spanish GDP

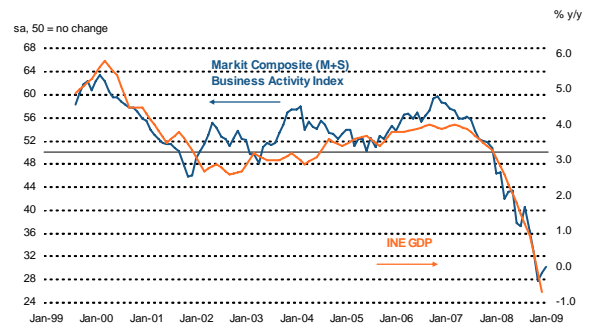
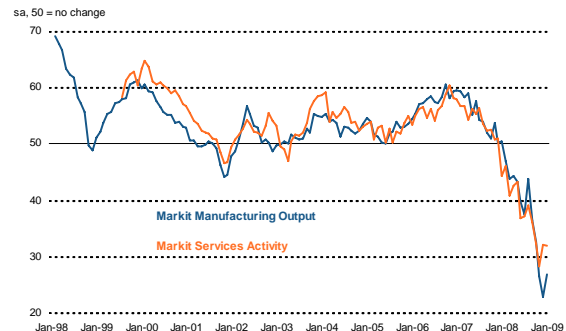


Chart 2: Manufacturing and Services PMI data



The next Spain Manufacturing PMI is released on March 2, with the Services PMI published on March 4. 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).

\*<http://www.markit.com/information/news/commentary/markit-economics/archives-2008.html#nov08>

## Andrew Harker

### Economist

Markit

Tel: +44 1491 418 616

Email: [andrew.harker@markit.com](mailto:andrew.harker@markit.com)

For further information, please visit [www.markit.com](http://www.markit.com)

The intellectual property rights to this report provided herein is owned by Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit is a trademark owned by the Markit group.