

Spain

PMI output and employment figures closely related to official data

Key findings

- **Strong correlation between PMI output and official GDP data.**
- **PMI employment data also show close relationship with official figures.**

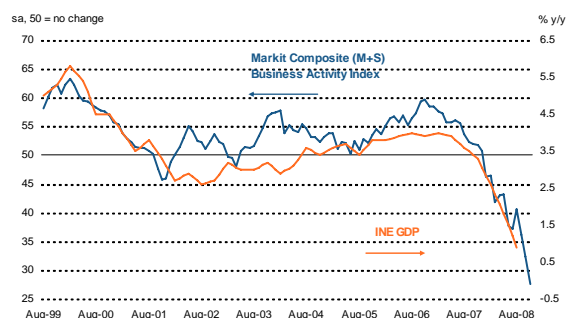
Decline in Q3 GDP

A composite PMI Business Activity Index for Spain has been created by weighting together the activity indices from Markit's Spanish Manufacturing and Services PMI surveys. This can then be compared against the annual and quarterly rates of change in quarterly gross domestic product.

Both the seasonally adjusted Composite PMI Business Activity Index and official GDP data pointed to a fall in Spanish output on a quarterly basis during the third quarter of 2008 (see chart 1). The PMI data continue to record a strong overall relationship with official data, as highlighted by a correlation over the series history of 0.83.

The PMI has signalled falling output throughout the year-to-date, with the pace of contraction accelerating in each of the three months to November. Official GDP data signalled a quarter-on-quarter contraction in output of 0.2% in Q3, resulting in an annual growth rate of 0.9%.

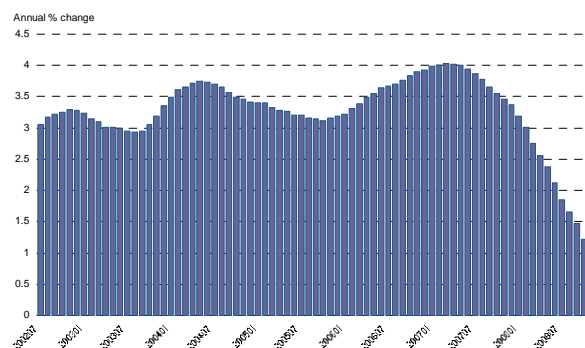
Chart 1: Spanish Output



GDP Indicator shows weakening annual growth

By applying regression analysis to the Composite PMI Business Activity Index against official GDP data, a formula is obtained for estimating annual and quarterly GDP growth. In November, the GDP Indicator signalled falling output on a quarterly basis, while annual growth slowed. The Indicator posted a quarter-on-quarter fall of 0.1%, while on an annual basis, growth eased for the sixteenth consecutive month to 1.0% (see chart 2).

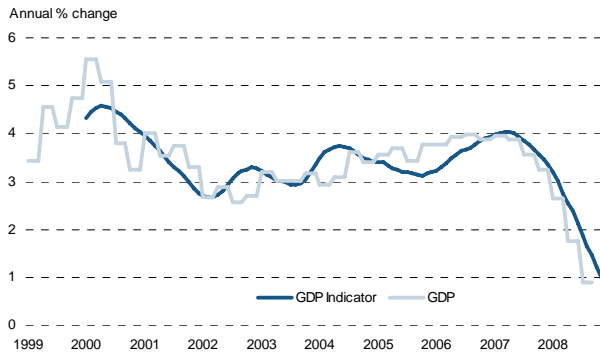
Chart 2: GDP Indicator



Since April, the GDP Indicator has shown a stronger annual rate of output growth than official data (see chart 3). Over its history, the GDP Indicator is as accurate a forecaster of final annual GDP growth as

are the first official estimates. Between Q1 2000 and Q4 2006, the average difference between official first estimates and final official GDP has been 0.58%. The difference between the GDP Indicator and final official GDP over the same period has been 0.60%.

Chart 3: GDP Indicator

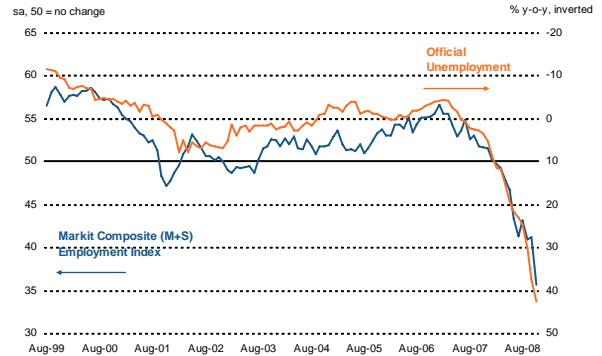


Strong correlation between PMI and official employment data

The seasonally adjusted Composite Employment Index registered a tenth successive monthly fall in staffing levels at Spanish private sector companies on average in November. The Index has a close relationship with official unemployment data (see chart 4), with a correlation between the two series of -0.89. Official data has signalled rising unemployment on an annual basis since June 2007. Unemployment in Spain was

around 43% higher in November than it had been one year earlier.

Chart 4: Spanish Employment



The December Manufacturing PMI is released on 2 January 2009, followed by the Services PMI on 6 January. To find out how to receive data from the surveys or obtain copies of the reports, please contact economics@markit.com

Andrew Harker

Economist

Markit

Tel: +44 1491 418 616

Email: andrew.harker@markit.com

For further information, please visit www.markit.com

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