

# IHS Markit Spain Manufacturing PMI®

## Supply-side constraints continue to limit growth

### Key findings

Output rises again at noticeably slower rate

Record deterioration in vendor delivery times

Cost and charge inflation surge to survey highs

Data were collected 12-22 October 2021

The continuation of supply-side challenges and rising inflation served to limit growth of the Spanish manufacturing economy during October. Output and new orders both rose to their weakest degrees since February amid a record delay in vendor delivery times for inputs, which remained in noticeably short supply. This in turn served to underpin acute inflationary pressures with both input and output prices rising at record rates.

October's headline IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – posted 57.4, down from 58.1 in September and its lowest level since March. That said, the latest reading remains well above the 50.0 no-change mark and points to sectoral growth for a ninth successive month.

Nonetheless, despite indicating expansion, beneath the surface of the headline number there were several concerning developments.

Most notably, output growth – though maintained at a solid clip – deteriorated quite markedly for a second successive month. This slowdown was linked predominately to severe and unprecedented delays in the delivery of inputs to manufacturers. Firms widely reported that stocks at vendors were in increasingly scarce supply, and this was proving to be a growing constraint on production growth, especially at a time of rising order book volumes. Transportation and logistical challenges, especially with sea freight, were also widely mentioned.

Meanwhile, new orders placed with Spanish manufacturers rose markedly and for a ninth month in succession as client demand maintained its recent recovery from the worst of the pandemic. However, overall growth was the weakest since February, with a similar trend indicated for new export

*continued...*

Spain Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

Commenting on the latest survey results, Paul Smith, Economics Director at IHS Markit, said:

*“Spain’s manufacturing economy continued to expand strongly in October, but the double hit of supply constraints and price pressures served to noticeably limit production growth.*

*“Moreover, despite having little choice but to raise their own charges in the face of an onslaught of ever rising costs, there was some evidence from manufacturers that client demand was showing signs of waning.*

*“Whilst on balance firms remain optimistic that growth will be sustained, worries over the persistence of unabating price pressures is the biggest fear for manufacturers when assessing the direction of travel over the coming 12 months.”*

business.

Slower demand growth was linked to rising output charges, with reports amongst firms that clients were unable or unwilling to pay the higher prices being demanded by Spanish manufacturers. According to the latest data, output charges were raised to the greatest degree in over 19 years of data availability.

Such a steep rise in output prices was linked by firms to the acute cost pressures they are presently facing. Given the severe global shortage of inputs, most raw material prices were reported to be up in October. Combined with higher prices being paid for energy and utilities, overall input costs rose at a new survey record pace.

Anecdotal evidence indicated that such rapid inflation remained a concern for firms – overall sentiment about the future softened since September – and this, alongside ongoing worries over supply, led to efforts amongst firms to pre-purchase goods if they were available in the marketplace. The result was the strongest increase in stocks of inputs for over three-and-a-half years.

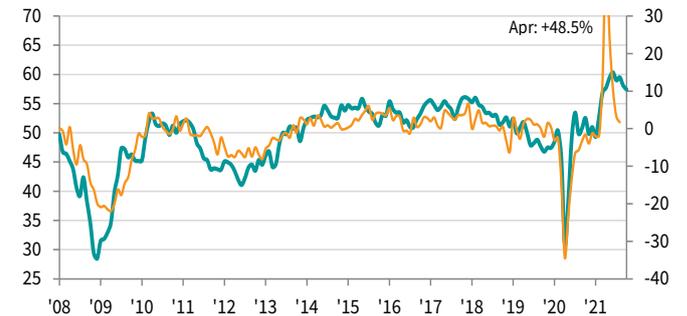
In contrast, however, inventories of finished goods continued to be depleted as firms sought to alleviate ever increasing workloads at their plants wherever possible. Latest data showed that backlogs of work rose sharply in October. This encouraged manufacturers to take on additional staff, although growth was the weakest in the current eight-month sequence.

Output Index

sa, >50 = growth since previous month

Industrial Production

% yr/yr



Sources: IHS Markit, INE.

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Survey methodology

The IHS Markit Spain Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

Survey dates and history

October data were collected 12-22 October 2021.

Survey data were first collected February 1998.

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AERCE is a member of the International Federation of Purchasing and Supply Management (IFPSM).

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About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 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.

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