

IHS Markit Spain Manufacturing PMI®

Operating conditions deteriorate in January

Key findings

Poor weather, COVID-19 and weak market demand weigh on sector

Supply-side shortages intensify

Cost inflation at three-year high

Data were collected 12-22 January 2021

The Spanish manufacturing sector slipped back into contraction territory as a combination of the coronavirus disease 2019 (COVID-19) pandemic, Storm Filomena and increasing delays in the delivery of inputs all hampered production and market activity. Job shedding subsequently intensified, although confidence about the future was little changed on December's near two-and-a-half year high.

Moreover, price pressures strengthened amid widespread reports of raw material shortages, increased freight costs and higher prices for key inputs such as steel. Overall input prices rose at the sharpest rate for three years.

The seasonally adjusted IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – slipped back below the 50.0 no-change mark in January, posting 49.3, down from 51.0 in December to mark a second marginal contraction of the sector in the past three months.

Manufacturing output declined slightly in January due in main to the sharpest reduction in new work since last May. There were reports that Storm Filomena, plus the continuation of restricted market activity due to the ongoing COVID-19 pandemic, had weighed on both production and demand. International demand was also lower, declining slightly for the second time in the past three months.

Another factor hampering production was ongoing delays in the delivery of inputs. Average lead times deteriorated for a fourteenth successive month, and to the greatest extent since last May. There were reports of delays in shipments from Asian suppliers – reflective in part of a lack of freight capacity – plus staff and stock shortages at vendors in general. Inclement weather added to delivery challenges.

These developments led firstly to firms utilising existing

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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:

"The Spanish manufacturing sector endured a challenging start to 2021, with a combination of Storm Filomena and the ongoing pandemic serving to hamper both production and levels of incoming new business.

"Adding to the difficult business environment were again reports of difficulties in sourcing inputs, especially from Asia where challenges with freight capacity are exacerbating the pandemic related problems facing already stretched vendors. Amid reports of stock shortages as well, price pressures are intensifying with costs rising to the greatest degree in the past three years.

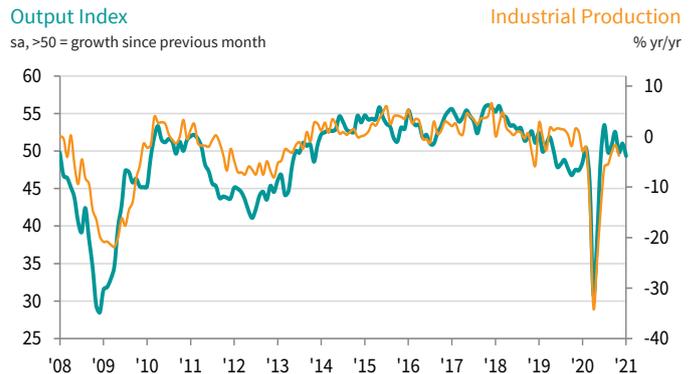
"Whilst an unfavourable short-term outlook has spilled over to cuts in employment, there is some positivity to be gleaned from expectations figures which retain a degree of optimism consistent with a decent uplift of activity in a year's time – but on the proviso of a successful vaccine rollout and a clear end to the pandemic."

inventories in production wherever possible, the net result being the sharpest monthly reduction in stocks of purchases since April last year. Finished goods inventories also deteriorated considerably.

Secondly, the effects of supply-side shortages served to raise input prices to a considerable degree. Overall, input costs rose to the sharpest degree in three years and extended the current period of inflation to six months. To offset at least some of this rapid rise in costs, manufacturers again chose to increase their own charges, although the nature of the current market environment served to place a limit on the pricing power amongst firms.

Challenging business conditions and excess capacity weighed on the labour market during the latest survey period, with firms signalling a cut in employment for a third month in succession. The rate of contraction was also the sharpest since August.

Nonetheless, whilst the near-term outlook remains difficult, firms retained a degree of confidence that activity in a year's time will be noticeably higher. Vaccine rollout and an end to the worst of the pandemic are widely viewed as the principal factors that will unlock market demand and subsequently lead to growth in activity.



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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.

Survey dates and history

January data were collected 12-22 January 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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