News Release

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IHS MARKIT
SPAIN MANUFACTURING PMI®

Solid growth of Spanish manufacturing sector despite downturn in confidence

KEY FINDINGS

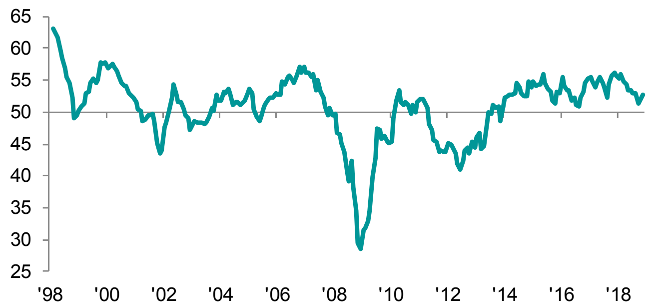
Firmer gains in both new orders and output recorded

Concern over strength of autos industry weighs on confidence

Higher steel prices underpin elevated input cost inflation

Manufacturing PMI

sa, >50 = improvement since previous month



Growth of Spain's manufacturing economy strengthened again during November, supported by improved gains in both output and new orders. Jobs continued to be created as capacity pressures persisted, but confidence about the future softened amid worries over subdued trends in global autos production and demand.

On the price front, cost pressures remained elevated amid reports of increased prices for steel and related products. However, margins remained under some pressure as output charges rose at a noticeably slower rate than input prices.

The seasonally adjusted IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – posted 52.6 in November. That was up from 51.8 during October and pointed to the strongest growth for three months. The PMI has now posted above the 50.0 no-change mark that separates growth from contraction throughout the past five years.

Both manufacturing output and new orders increased at stronger rates when compared to October. Growth was linked to the release of new product lines and an upturn in demand, both from domestic and foreign sales.

However, there were a number of reports that demand from the US had faltered, and that sales to autos producers were subdued. This was particularly felt in the capital goods sector, where both order books and production fell in November. This was in stark contrast to the consumer goods category, where output and demand both strengthened noticeably.

Overall employment continued to increase in the latest survey period, although the rate of growth remained modest (with outright falls seen in the intermediate and investment goods categories). Any recruitment was linked to capacity pressures, as highlighted by a third successive monthly rise in backlogs of work.

Manufacturers also increased their purchasing activity during November, broadly in response to rises in production and new orders. Higher demand placed some pressure on vendors and, amid reports of shortages in the supply of some goods, lead times for the delivery of inputs continued to lengthen.

Supply-side shortages also continued to underpin input price inflation, which remained elevated in November, especially amongst capital goods producers. Average output charges were subsequently raised, albeit at a modest pace that remained well below the equivalent measure for input prices.

Finally, business expectations were at their lowest level since June 2013. Despite plans to bolster investment and introduce new product lines, worries over political stability and the effect of the downturn in the autos industry served to depress confidence. This was especially noticeable amongst investment goods producers, where sentiment deteriorated to its weakest level in six years.

COMMENT

Commenting on the PMI data, Paul Smith, Economics Director at IHS Markit said:

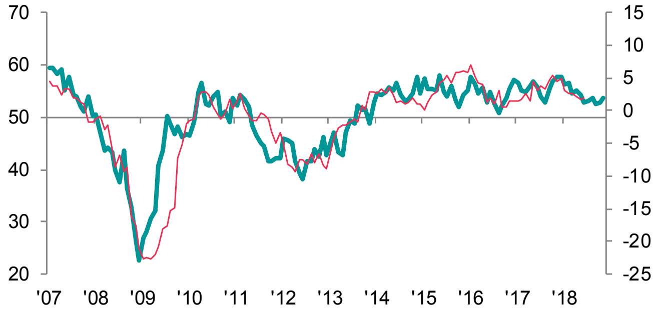
"Manufacturing growth improved during November and suggests the sector is heading to year end on a slightly firmer footing than was envisaged in October. Both growth of output and new orders strengthened on the month amid reports of an uplift in demand.

"However, a closer look revealed some worrying developments. Capital goods producers recorded net falls in output and new orders amid concerns over the recent downturn in autos production, particularly in key foreign markets.

"Such worries subsequently spilled over into expectations about output, which are now at their lowest since the summer of 2013, and point to a clear downside risk to growth in the coming months."

Output Index
sa, >50 = growth since previous month

Manufacturing production
sa, %yr/yr



Source: IHS Markit, INE.

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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.

November 2018 data were collected 12-23 November 2018.

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. To learn more go to ihsmarkit.com/products/pmi.html.

About IHS Markit
IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

About AERCE
AERCE is the Spanish Association of Purchasing and Supply Management. Founded in 1981 has 1,000 members, representing more than 10,000 related professionals, which include the most important companies in the country, institutions and professionals belonging to various industrial sectors, services and the public sector.

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

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