News Release

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IHS Markit Spain Manufacturing PMI®

Manufacturing sector recovery stalls in August

Key findings

Output growth slows amid lack of new order gains

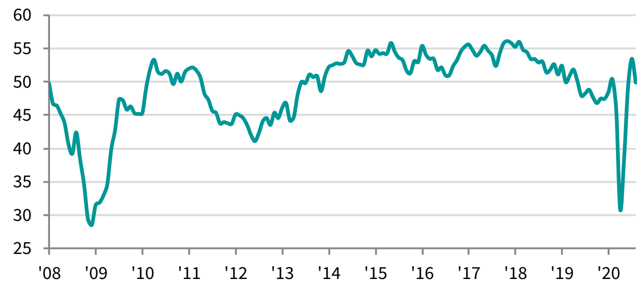
Employment and purchasing activity fall

Input prices rise for first time in 15 months

Data were collected 12-21 August

Spain Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Having returned to growth in July, the recovery in the Spanish manufacturing sector stalled in August. New orders were little-changed from the previous month, contributing to a much slower rise in output. Subsequently, firms scaled back their purchasing activity and continued to reduce employment.

On the price front, input costs increased for the first time in 15 months. However, fragile demand and competitive pressures meant that manufacturers continued to lower their own selling prices.

The IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – posted broadly in line with the 50.0 no-change mark, at 49.9 in August. This followed a reading of 53.5 in July which had signalled a return to growth following the coronavirus disease 2019 (COVID-19) related downturn. The latest figure pointed to stable business conditions midway through the third quarter.

In line with the headline PMI, new orders were broadly unchanged following a rise in July as the COVID-19 pandemic continued to weigh on customer demand. A similar picture was seen with regards to new export orders which were down fractionally.

Manufacturing production increased for the second month running as firms continued to increase output following the ongoing relaxation of COVID-19 restrictions. The rate of growth was much slower than seen in July, however. The consumer and intermediate goods sectors posted increases in output, but investment goods producers recorded a slight decline.

The relatively muted increase in production was insufficient to replenish stocks of finished goods. Post-production

continued...

Comment

Commenting on the latest survey results, Andrew Harker, Economics Director at IHS Markit, said:

“The recovery in the Spanish manufacturing sector paused in August, failing to build on the return to growth seen in July. A lack of growth in new orders was the main cause for concern amid wavering demand, though firms are still hopeful that gradual improvements will take place over the coming year.

"There was little cause for optimism on the jobs front as employment was cut at a sharper pace and data suggested that firms were still able to deal comfortably with current workloads.

“The latest PMI data show that any economic recovery in the sector is predicated on success in suppressing COVID-19, with the recent increases in virus cases in Spain providing the backdrop for August's manufacturing setback. Any signs of falling case numbers will provide assurances that the recovery can get back on track.”

inventories fell sharply in August, and at the fastest pace in over a year.

With new order volumes stagnating in August, firms were comfortably able to keep on top of workloads. Backlogs of work decreased sharply, and to a greater extent than in July.

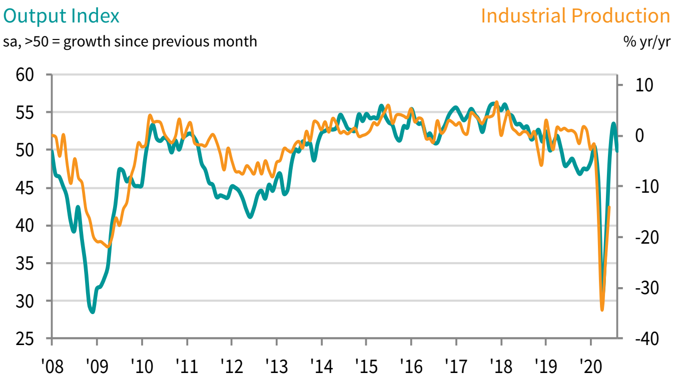
Spare capacity led to another round of job cuts in the sector, extending the current sequence of falling employment to 16 months.

Purchasing activity was also scaled back, reversing the picture from the previous month. Respondents indicated that current holdings of inputs were appropriate for output requirements, with such reports supported by data showing broadly unchanged stocks of inputs.

Although suppliers' delivery times continued to lengthen, the pace of deterioration softened for the fourth successive month, suggesting a reduced level of disruption to supply chains due to the COVID-19 pandemic.

Input prices increased for the first time in 15 months, albeit modestly. Despite the increase in input costs, fragile demand and competition for new orders meant that manufacturers continued to lower their own selling prices. Charges have now fallen in each month for a year.

Hopes of gradual improvements in demand over the coming year supported confidence in the outlook for production. Sentiment was at its highest in six months, but still below the series average.



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.

Survey dates and history

August data were collected 12-21 August 2020.

Survey data were first collected February 1998.

About IHS Markit

IHS Markit (NYSE: 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.

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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.
ihsmarkit.com/products/pmi.html.