

IHS Markit Spain Manufacturing PMI®

Fastest growth of manufacturing sector for three months

Key findings

Stronger gain in output as new orders return to growth

Employment up slightly for second month running

Confidence rises to eight-month high

Data were collected 12-23 October

Growth of the Spanish manufacturing economy gathered momentum during October, supported by a faster gain in output and a return to growth of new orders. Purchasing activity also rose slightly, although lengthening lead times for the delivery of inputs led to the continued utilisation of existing inventories. Employment was up, but only slightly as capacity remained in the main sufficiently high to keep on top of workloads. Confidence about the future picked up to its highest level in eight months.

The IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – picked up to a three-month high of 52.5 during October. That was up from 50.8 in September and represented a back-to-back improvement in operating conditions.

Manufacturing production increased for a fourth month in succession during October, with growth accelerating to its highest since July. Production increased mainly in response to gains in new orders, with the monthly expansion also the best in three months. There were reports that demand was generally firmer, albeit still limited to a degree by the ongoing challenges related to coronavirus disease 2019 (COVID-19).

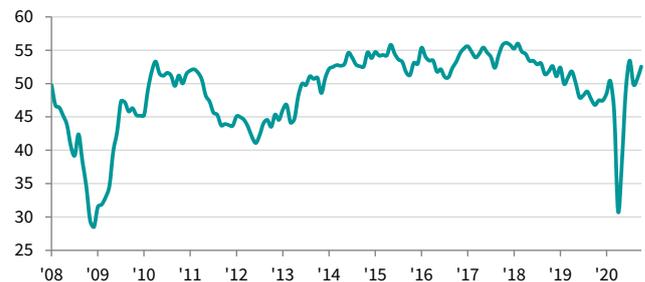
Supporting the increase in overall sales were gains in foreign new orders. Growth was modest, with firms indicating improved demand from within Europe and North Africa.

With production rising at a quicker rate than new orders, manufacturers were again comfortably able to keep on top of overall workloads as signalled by an eighth successive month of falling backlogs of work. Sufficient capacity meant that employment levels were up only marginally in October.

Strengthened growth in production and higher new orders led firms to increase their purchasing activity slightly for the first time in three months during October. However,

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:

"A welcome acceleration in manufacturing production growth was recorded during October, although with the gain in new orders lagging behind output, manufacturers built up inventory and were able to clear any work outstanding.

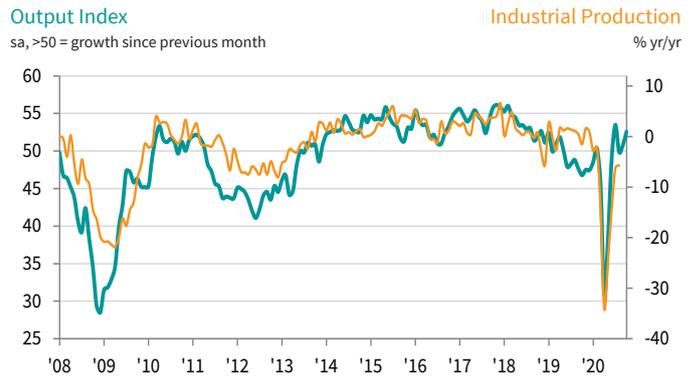
"Indeed, demand growth remains relatively muted, both from at home and abroad, with the challenges of COVID-19 continuing to undermine overall gains. Until the crisis has been brought under control, near-term growth is likely to remain restricted. However, looking a little further out, panellists are increasingly confident that in a year's time a recovery could be well under way."

delivery of these inputs continued to lengthen amid reports that suppliers were struggling to cope with higher demand and insufficient inventory. Latest data showed that average lead times deteriorated to the greatest degree since July and encouraged firms to continue to utilise their own inventories wherever possible to maintain output volumes.

On the price front, input prices continued to increase, but only modestly. Whilst firmer demand and low supply helped to underpin price rises, there were reports of reduced metals prices, especially for stainless steel.

Meanwhile, manufacturers continued to discount their own charges, extending the current period of deflation to 14 months. Competitive pressures and deliberate efforts to drum up new business were noted as the primary factors weighing on output charges.

Finally, expectations for output over the coming 12 months strengthened in October, with confidence reaching its highest level since February. Positive sentiment was linked to hopes that COVID-19 will have been brought fully under control by this time next year, and that a strong economic recovery will be under way.



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

October data were collected 12-23 October 2020.

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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