

IHS Markit Spain Manufacturing PMI®

Deterioration in demand weighs on manufacturing sector in November

Key findings

Fall in demand from key sectors weighs on order books

Staffing levels cut

Cost pressures at highest in two years

Data were collected 12-23 November

Spain's manufacturing economy returned to contraction during November as a downturn in market demand weighed heavily on the sector. Production fell slightly, whilst the lack of new work led to a reduction in staffing levels. However, firms were on average confident that output will pick up over the coming 12 months, signalling their highest degree of optimism for over a year-and-a-half.

November's IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – fell from October's 52.5 to record 49.8 in November. Slipping below the 50.0 no-change mark, the index marked the first deterioration in operating conditions for three months.

A drop in new orders was the primary reason behind November's fall in the PMI. Amid widespread reports that the coronavirus disease 2019 (COVID-19) was having an adverse impact on demand, especially in sectors such as tourism and hospitality, new orders declined at the sharpest rate since May. New export orders were also lower, falling for the first time in three months.

With new orders declining, Spanish manufacturers chose to broadly maintain their production at October's volumes. Latest data showed output was slightly lower compared to last month, and firms were again able make further inroads into any backlogs of work.

Nonetheless, firms indicated a degree of excess capacity at their plants in November which led to moderate job losses for the first time in three months. A lack of incoming new work also resulted in employment cuts, whilst also leading firms to reduce their purchasing activity. Preferring instead to utilise existing stocks, latest data showed that buying was reduced for the third time in the past four months.

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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:

“November proved to be a challenging month for Spanish manufacturers as a noticeable reduction in demand, especially from those sectors most influenced by social-contact such as tourism and hospitality, weighed on order books.

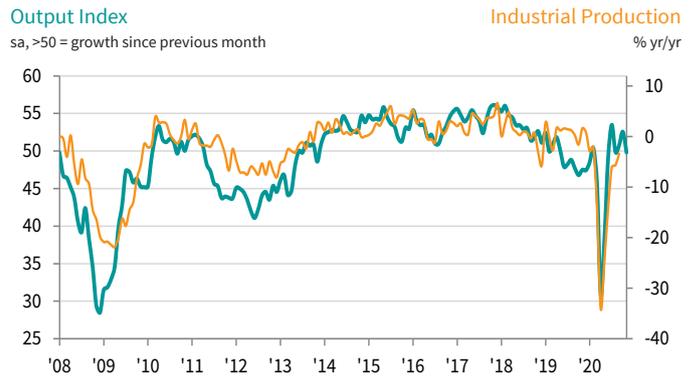
“However, it was not just consumer-facing industries that struggled, but more worryingly capital goods producers as well. Uncertainty about the near-term evolution of the COVID-19 pandemic continues to impact heavily on investment and spending decisions.

“With increasingly positive news about vaccine developments, confidence about conditions in a year’s time is however building, and once the pandemic is brought fully under control, manufacturers are confident that activity and demand will increase.”

Inventories of raw materials and semi-manufactured goods were also reduced due to ongoing challenges in sourcing inputs from vendors. Latest data showed that average lead times deteriorated to the sharpest degree for five months amid reports of stock shortages and logistical challenges related to COVID-19.

A lack of supply, plus speculative market activity, reportedly helped to drive up the price of inputs for a wide range of goods. Overall, input price inflation accelerated to its highest for two years, but firms were again unable to increase their own charges. November's survey showed that prices charged were lowered, albeit marginally.

Looking ahead to the coming year, panellists were broadly positive that output would increase from present levels. Confidence was closely linked to hopes that the COVID-19 pandemic would have been brought under control. Sentiment was the highest recorded by the survey for over a year-and-a-half.



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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

November data were collected 12-23 November 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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