

IHS Markit Spain Manufacturing PMI®

Growth strengthens again in June

Key findings

Production rises sharply on back of strong demand

Supply-side challenges persist

Record price rises recorded

Data were collected 11-23 June 2021

Operating conditions in Spain's manufacturing economy strengthened at a rate unsurpassed in over 23 years during June. Production rose at the sharpest pace since May 1998, underpinned by surging levels of orders and demand, especially from sectors related to hospitality.

Supply-side delays remained prevalent, however, with average lead times continuing to deteriorate considerably amid product shortages on global markets. This was a principal driver of a new survey record increase in prices paid for inputs.

The headline IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – rose for a fifth successive month in June, recording 60.4, compared to 59.4 in May. The latest index reading was the highest recorded by the survey since April 1998.

Underpinning the latest PMI reading was the sharpest rise in production for over 23 years. Rising output has now been recorded in each of the past five months and was again underpinned by sharply rising levels of incoming new orders. Although easing since May's near 15-year high, growth in new orders during June was again considerable amid widespread reports of firmer demand. This was especially the case in sectors related to areas such as hospitality.

Domestic demand was not the only source of order book growth, with new export orders again rising sharply and at the steepest pace in over three-and-a-half years. There were reports of higher demand from both neighbouring European countries and North Africa.

With production requirements rising considerably, manufacturers continued to increase their purchasing activity sharply in response (sharpest since April 1998).

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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:

“As we reach mid-year, growth of the Spanish manufacturing sector showed little sign of faltering. Output was ramped up to a degree unprecedented in over 23 years, driven by another considerable uplift in new orders.”

“Indeed, order books were swelled by improved demand from across a spectrum of sources, with hospitality reportedly a key driver of growth as the economy reopens further in line with easing COVID restrictions.”

“Challenges with supply chains persist, however, with little sign of these issues easing, not helped in part by firms attempting to purchase goods to either restock inventory or get ahead of further potential price rises.”

“Indeed, such feedback loops are likely adding to stretched supply chains and price pressures: latest data showed input costs rising at the strongest rate since at least 1998 and helped explain another record increase in producer prices.”

Firms also indicated a desire to bolster their stocks of inputs, although these efforts were thwarted to some degree by ongoing supply-side shortages.

Indeed, according to the latest data, average lead times for the delivery of inputs deteriorated again at a historically elevated rate. Panellists reported a considerable excess of demand over supply on global product markets, especially for metals and electronics components.

Unsurprisingly, this resulted in another round of considerable input price inflation. June's survey marked another record high for cost increases (data were first collected in February 1998). Transportation, fuel, plastics, and metal prices were all reported to be up since May. Subsequently, output charges were raised at a series record pace as firms sought to take advantage of positive demand conditions.

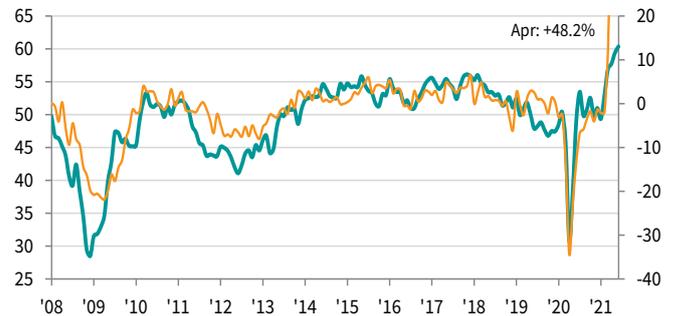
Despite production rising at a considerable rate, capacity pressures persisted. Backlogs of work again rose sharply, with growth hitting a new survey record, and this encouraged firms to take on additional staff at the fastest rate since February 2018. Confidence in the future also helped to support hiring activity: optimism that output would be higher in 12 months' time remained comfortably inside positive territory during June.

Output Index

sa, >50 = growth since previous month

Industrial Production

% yr/yr



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

June data were collected 11-23 June 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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