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IHS MARKIT SPAIN MANUFACTURING PMI®

Output growth quickens, but remains relatively muted

KEY FINDINGS

Continued expansions of output and new orders

New export order growth at two-year low

Business confidence lowest since June 2013

Steady growth was recorded in the Spanish manufacturing sector during August, with increases in both output and new orders slightly faster than seen in July. Employment also continued to rise solidly, but data signalled a marked reduction in confidence regarding the 12-month outlook. Meanwhile, manufacturers lowered their output prices for the first time in almost two years, despite a further sharp rise in input costs.

The headline IHS Markit Spain Manufacturing PMI® – a composite single-figure indicator of manufacturing performance – recorded 53.0 in August, up slightly from 52.9 in July and signalling a solid monthly improvement in the health of the sector. That said, the latest strengthening of business conditions remained much weaker than those seen around the turn of the year.

Manufacturing output increased solidly during August, extending the current sequence of growth to 57 months. Moreover, the rate of expansion quickened for the second month running.

New orders also increased at a faster pace in August, albeit one that was muted relative to the picture in the first quarter of 2018. Some panellists mentioned having been able to secure new customers. New export orders continued to rise, but the rate of expansion eased to a two-year low.

The recent slowdown in new order growth led to signs of spare capacity among manufacturers. Backlogs of work decreased in August, ending a 34-month period of accumulation.

Firms continued to take on extra staff. Employment increased

Manufacturing PMI
sa, >50 = improvement since previous month



solidly again, with the rate of job creation broadly in line with that seen in July.

August saw a further sharp increase in input costs, with raw materials such as fuel and wheat highlighted as costing more over the month. The rate of inflation was above the series average, but eased to a 14-month low.

Despite a further marked increase in cost burdens, firms reduced their output prices for the first time since September 2016. Although the fall in charges was only marginal, this represented a marked turnaround from solid rises in selling prices in recent months.

In line with the picture for output and new orders, purchasing activity rose at a slightly faster pace in August, albeit one that was relatively modest. Meanwhile, stocks of purchases declined for the first time in three months.

The length of time taken by suppliers to deliver purchased items increased again, and to the greatest extent since April.

Business confidence dropped in August and was the lowest since June 2013. Although work on new projects is expected to help raise output over the coming year, some panellists expressed concerns about the future path of customer demand.

COMMENT

Commenting on the PMI data, Andrew Harker, Associate Director at IHS Markit said:

"Latest manufacturing PMI data for Spain suggest that the sector has settled into a period of steady but unspectacular growth following strong gains around the turn of the year.

"One of the more striking aspects of the latest survey was a reduction in output prices in spite of a further marked rise in cost burdens. This suggests that firms are starting to look at discounting in order to support new business inflows. Concerns around client demand were also evident in data on business confidence, which dropped to the lowest in more than five years."

Output Index

sa, >50 = growth since previous month



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.

August 2018 data were collected 13-23 August 2018.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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](https://www.ihsmarkit.com/products/pmi.html).

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