News Release

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IHS MARKIT
SPAIN MANUFACTURING PMI®

Spanish manufacturing sector returns to marginal growth in March

KEY FINDINGS

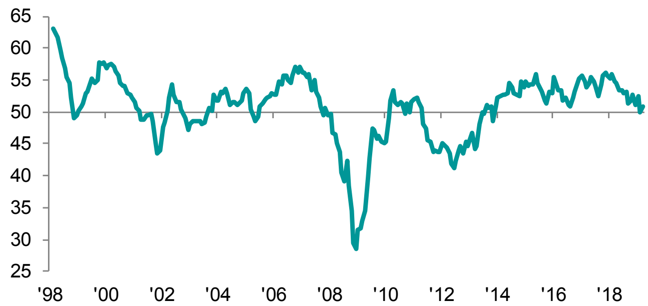
Upturns in new work and output recorded

Contrasting performances across market groups

Price pressures subdued

Manufacturing PMI

sa, >50 = improvement since previous month



Spain's manufacturing economy returned to growth during March. However, the expansion was marginal amid only slight gains in output, new orders and employment. Price pressures also remained subdued as previous supply-side constraints showed further signs of softening over the month. Confidence about the future was little changed.

The IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – improved to 50.9 in March, up from February's 49.9. Despite strengthening on the month and returning to a level back above the 50.0 no-change mark that separates growth from contraction, the latest reading was subdued in the context of those seen throughout much of the past five years.

Supporting the PMI were slight gains in both output and new orders. Production, and the subsequent release, of new product lines was reported in some instances to have supported growth. There was also evidence of an upturn in foreign demand as highlighted by a solid gain in new export orders, although growth remained amongst the softest in recent years amid reports of a challenging international demand environment.

Latest market groups data indicated noticeable divergences in performance. On the one hand, the consumer goods category registered strong increases in output, new work and employment. In contrast, operating conditions faced by investment goods producers continued to deteriorate, whilst there was a broad stagnation of the intermediate goods sector.

With only marginal overall growth in new work and output registered in March, purchasing activity amongst Spanish manufacturers rose at an equally subdued pace. Latest data also revealed only slight falls in both stocks of inputs and finished goods.

Meanwhile, there was little evidence of any capacity constraints in the manufacturing economy during March. Backlogs of work were unchanged since February which in part reflected a modest uptick in staffing levels. Growth of employment has now been recorded in each month since January 2014.

There was little evidence of price pressures during the latest survey period. Input costs, having fallen for the first time in nearly three years during February, rose only marginally. Whilst there were some reports of higher metals prices, excess market supply for some raw materials helped to dampen overall inflation.

Indeed, March's survey revealed that previous supply side constraints showed signs of easing. Although delivery times extended over the month, they did so at the weakest rate since January 2016.

With input costs up only marginally, and demand conditions subdued, output charges were raised only slightly in March.

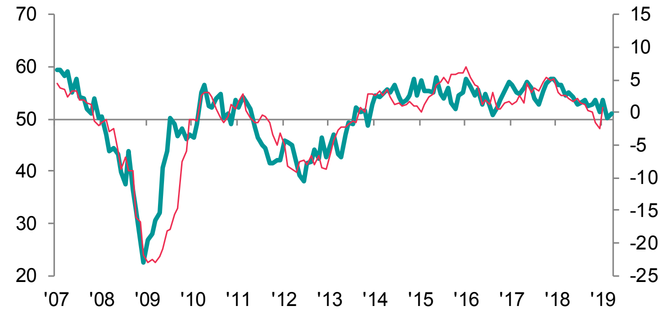
Finally, confidence regarding future activity remained in positive territory during March. There were positive projections for sales and hoped for success from new product launches. However, uncertainty stemming from upcoming elections, plus worries over the strength of underlying demand in European markets served to restrict optimism.

COMMENT

Commenting on the PMI data, Paul Smith, Economics Director at IHS Markit said:

"Spain's manufacturing sector saw a slight improvement in its headline PMI during March, but underlying conditions remain fairly subdued. Indeed, the data remain consistent with the sector stagnating and contributing little to overall economic growth in the first quarter of the year.

"As with much of Europe, growth of the sector is being held back by a challenging international environment, in line with the recent global trade slowdown, plus generally weaker demand for capital goods."



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.

March 2019 data were collected 12-22 March 2019.

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.

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About AERCE
AERCE is the Spanish Association of Purchasing and Supply Management. Founded in 1981 has 1,000 members, representing more than 10,000 related professionals, which include the most important companies in the country, institutions and professionals belonging to various industrial sectors, services and the public sector.

AERCE is a member of the International Federation of Purchasing and Supply Management (IFPSM).

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