

IHS Markit Spain Manufacturing PMI®

PMI remains at elevated level in July

Key findings

Production and new orders up sharply again

Supply-side delays constrain growth

Prices rise markedly in response to product shortages

Data were collected 11-23 July 2021

Spain's manufacturing economy continued to experience considerable growth during July, as market demand improved from both domestic and international sources. Jobs were added at a decent rate, with firms scrambling to bolster production capabilities to match workloads.

However, backlogs continued to rise sharply, and production was constrained in part by ongoing supply-side delays amid widespread reports of product shortages and transportation difficulties. Price inflation subsequently remained elevated, and was a factor depressing confidence about the future.

The headline IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – posted 59.0 during July. That was down from 60.4 in June, and a three-month low but nonetheless indicative of another strong improvement in operating conditions. Growth has now been recorded for six months in succession.

Production and new order book growth remained considerable in July amid reports that market demand had improved, with producers of consumer goods notably buoyed by the reopening of the economy (hospitality especially). International sales were also noticeably higher, with growth the best in over three-and-a-half years. Companies reported higher export orders from neighbouring European countries and North Africa.

However, production and new orders overall rose at slower rates when compared to recent peaks. This reflected in part challenges in sourcing inputs and associated price inflation. Latest data showed that lead times for the delivery of inputs lengthened to the third greatest degree in the survey history. Panellists continued to bemoan that a lack of stock at vendors, owing in part to strong product demand,

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:

“July’s data again provided a positive picture overall of manufacturing growth, with the sector again supported by strong demand trends and the ongoing reopening of the economy.”

“However, perhaps not surprisingly, the well documented challenges in input supply – linked to product shortages and transportation difficulties, especially for sea freight – are biting, with growth in production reported to have been limited by these difficulties in July.”

“Moreover, cost inflation remains acute, although for those looking for signs that these price pressures are transitory in nature, both price indices covered by the survey have come off June highs.”

“Nonetheless, cost pressures and acute product shortages remain a genuine concern for firms. With rising COVID-19 infections around the globe also a worry, optimism about the future subsequently fell in July to its lowest for six months.”

plus transportation difficulties, especially with sea freight services, had continued to underpin worsening vendor performance.

Worries over supply shortages and price rises led to both defensive stock accumulation and a drop in sentiment during July. Inventories of purchases rose slightly for a second successive month, although continued strong production growth meant that stocks overall rose only marginally.

Confidence wise, firms were also concerned over recent rises in COVID-19 infection numbers and the potential for the economic recovery to be derailed. That said, firms remain positive overall that sales and output will rise further in the coming 12 months, with confidence remaining comfortably in positive territory despite dropping to a half-year low.

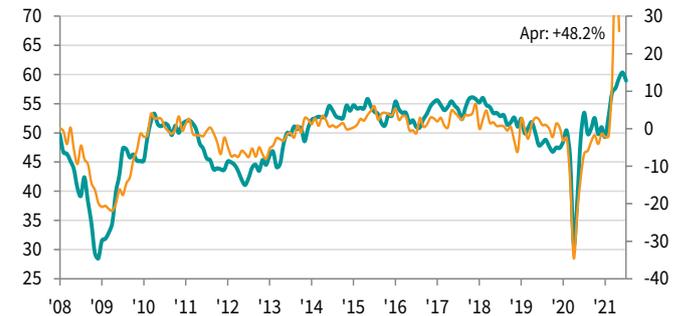
Finally, rising production requirements meant that firms took on additional staff in July. Although dropping to a four-month low, employment gains remained historically strong, with staffing increased in line with efforts to keep on top of workloads in the face of capacity constraints. With this in mind, backlogs of work rose sharply in July, albeit at a slower pace than June's survey record.

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

July data were collected 12-23 July 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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