

IHS Markit Spain Manufacturing PMI®

Marginal growth of manufacturing sector in September

Key findings

Output rises, but orders continue to fall

Employment stabilises as confidence improves

Purchasing and inventories continue to be cut

Data were collected 11-23 September

Spain's manufacturing sector returned to growth during September amid a rise in output and a stabilisation of employment. However, new orders continued to fall, despite a pick-up in exports, and firms remained in a relatively cautious mood given the uncertain near-term outlook. Inventories and purchasing continued to be cut amid worries about cashflow.

The IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – improved during September to reach 50.8, up from August's 49.9 and indicative of a slight improvement in operating conditions.

Manufacturing production rose for a third successive month in September, despite a further fall in overall new orders. Whilst there were several reports of improving demand, the effect of the coronavirus disease 2019 (COVID-19) on sales remained negative and continued to weigh on domestic demand especially.

Indeed, panellists did report some sales growth from international clients. For only the second time in the past 16 months, export orders rose during September. Growth was modest, though much weaker than seen in July.

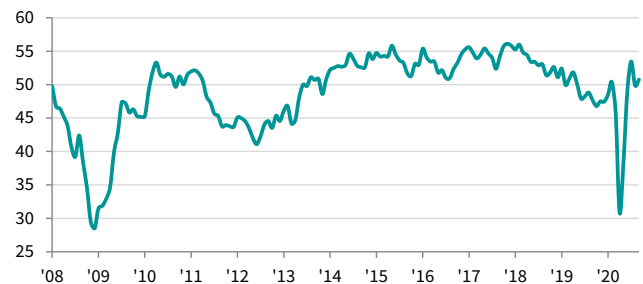
Higher production requirements encouraged companies to take on some additional staff for the first time in nearly a year-and-a-half. However, the net gain in employment was very slight, and occurred against the backdrop of a fall in backlogs of work as excess capacity in the sector persisted.

The stabilisation of employment did occur concurrently with an improvement in expectations for output, which were at their highest for seven months. Panellists indicated some hopes of a strong upturn in order books once COVID-19 was brought under control.

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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:

"Whilst there was a return to growth in September, the latest data suggests the manufacturing sector continues to struggle to regain meaningful traction, with overall sales again undermined by COVID-19. Firms are subsequently remaining cautious with regards to purchasing and inventories, focusing on maintaining positive cashflow amid an uncertain near-term outlook.

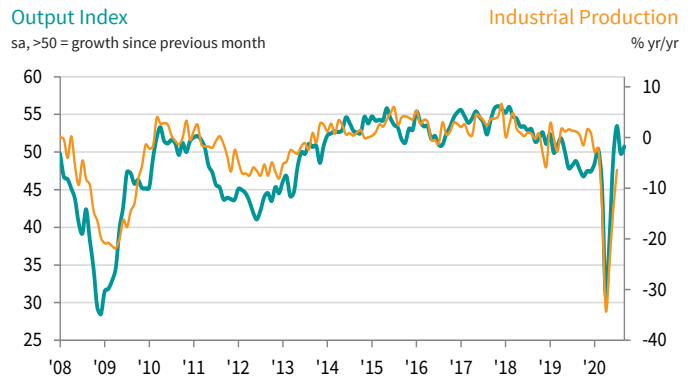
"Still, there were some bright spots with export sales up, signalling a much-needed pick-up in international trade. Capital goods producers also enjoyed a return to growth in order books and output, hinting at a recovery in investment trends.

"Moreover, a stabilisation of employment and improved confidence about the year ahead suggests firms believe that market activity will strengthen – but only once COVID-19 has been brought fully under control."

That said, some firms are concerned about the longer-term impact on their business and the wider economy from the pandemic. This helped to explain some caution amongst firms in their purchasing and inventory management decisions, with many signalling a preference for utilising stocks to meet production requirements. Cashflow concerns were also noted as a factor for using up stocks. Subsequently, inventories of purchases and finished goods, plus buying activity, were all reduced during the latest survey period.

Meanwhile, a second successive monthly increase in purchasing prices was seen in September amid some reports of higher costs for commodities including wood and steel. Stock and capacity shortages at vendors also helped to underpin the strongest rate of cost inflation for 21 months. Latest data showed that vendor delivery times continued to lengthen and thereby extend the period of deteriorating supplier performance to ten months.

Finally, faced with a still challenging business environment, Spanish manufacturers continued to reduce their charges in September, marking the thirteenth successive monthly fall in output prices. However, deflation was modest and the weakest since February.



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

September data were collected 11-23 September 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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