

IHS Markit Spain Manufacturing PMI®

Growth improves to 23-year high in May

Key findings

Rapid rises in output and new orders signalled

Supply-side constraints intensify

Input and output prices at new series highs

Data were collected 12-21 May 2021

Spain's manufacturing economy continued to build on the momentum of recent months, expanding at its strongest pace in 23 years as order books swelled, production was raised sharply in response and jobs were again created.

Less positive was the ongoing severity of supply-side delays, as sharply rising demand for inputs led to acute product shortages and considerable inflationary pressures. Both input and output prices rose to the greatest degrees in respective series histories.

The headline IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – recorded 59.4, up from 57.7 in April and its highest level since May 1998. The index also posted above the 50.0 no-change mark for a fourth successive month.

Driving the PMI higher were faster gains in both output and new orders. For sales, the net rise was the sharpest recorded by the survey since December 2006 amid reports of surging demand, both from at home and abroad. New export business increased to the strongest degree for three-and-a-half years amid markedly higher demand from neighbouring European countries.

Production meanwhile increased to the strongest degree for over 14 years as firms ramped up output in response to increased sales. Growth has now been recorded in each of the past four months, although there were some reports that production had been constrained to some degree by supply-side constraints.

Indeed, latest data showed that average lead times for the delivery of inputs deteriorated at a rate surpassed only once in the survey history (April 2020). There were widespread reports of a considerable excess of demand over supply, which subsequently led to considerable product shortages

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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:

“May was another stellar month for the Spanish manufacturing sector, with both new orders and output rising at rates not seen since before the global financial crisis.

“Growth is being driven by the ongoing reopening of economies and continued strength in demand, both from at home and from European neighbours.

“Production growth would likely have been higher if it were not for capacity constraints and ongoing difficulties in sourcing a wide range of inputs such as plastics, metals and timber.

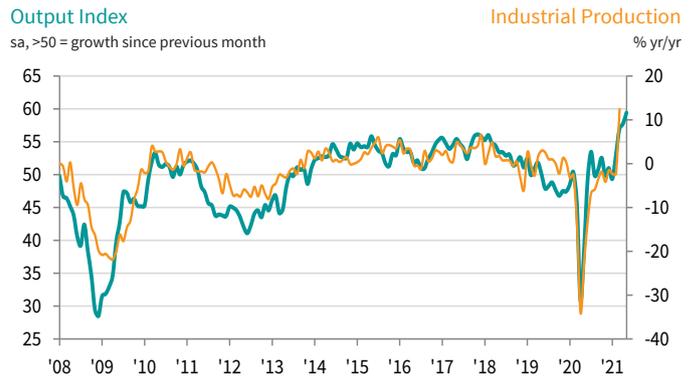
“Whilst it is hoped – and expected – that these supply-side challenges will eventually abate, such shortages are inevitably leading to acute inflationary pressures. And with companies buoyed by the relative strengthening of their own pricing power in recent months, factory gate prices are also rising at an unprecedented rate.”

at vendors. Metals, plastics, and timber were especially challenging to source, according to panellists, and these products were also reported to have risen markedly in cost. With fuel prices also higher, overall input prices rose at a severe and unprecedented pace in May.

Firms responded to higher costs by increasing their own charges at a series record rate. Stronger market demand was reported to have led to a relative improvement in their pricing power.

Difficulties in sourcing inputs meant firms sought to satisfy rising production and order book requirements through the greater utilisation of their inventories of inputs and finished goods. For the latter, the decline was the sharpest since last August.

Nonetheless, with new orders rising at a sharper rate than production, manufacturers continued to experience increased backlogs of work at their plants. Growth accelerated to its highest level since data were first collected for this variable in mid-2002. Firms responded by again adding to their employment levels at a marked pace. Several respondents noted the return of some workers from furlough.



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

May data were collected 12-21 May 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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