

IHS Markit Spain Manufacturing PMI®

PMI falls in December as supply and price challenges continue

Key findings

Output growth rises, but new order gains soften

Lead times lengthen at a considerable rate

Prices continue to soar

Data were collected 6-16 December 2021

Spain's manufacturing sector continued to expand during December, although difficulties in the procurement of inputs and rapid inflation continued to curtail growth. In the face of these challenges, firms scrambled to source where possible any inputs that were available, the net result being a near record rise in input stockpiling.

Despite slower growth in new work, capacity pressures persisted with another sharp rise in backlogs. This underpinned a further modest rise in employment. Improved confidence in the future also encouraged firms to take on new staff.

The headline IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – remained above the 50.0 no-change mark and indicated growth of the sector for an eleventh successive month. However, posting 56.2 in December, down from 57.1 in November, the index signalled the slowest growth since February.

The softening in the PMI was primarily driven by weaker growth in new orders. Despite rising for an eleventh successive month, the rate of increase was the lowest recorded since February amid some reports that higher prices were having an adverse effect on sales levels.

This matched up with data on output prices. December's survey showed that charges rose at a rate only slightly softer than November's series record high as firms faced yet another rapid rise in input costs. Most raw materials were said to be up in price, as were costs related to energy, electricity, and transportation services.

Once again, the short supply of goods underpinned inflationary pressures. Although average lead times worsened at a slower pace, the degree of lengthening

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:

“Supply-side challenges persisted during December and continued to have a major impact on a variety of metrics tracked by the PMI survey.

“Prices indices remained extremely high, with firms signalling severe inflationary pressures that were having a detrimental impact on client demand. New orders subsequently rose at a more modest rate.

“Moreover, input shortages placed some restriction on productive capabilities, and firms continued to scramble to source inputs and bolster stocks wherever possible. Such pre-purchasing of goods is likely exacerbating pressure on already strained supply-chains.

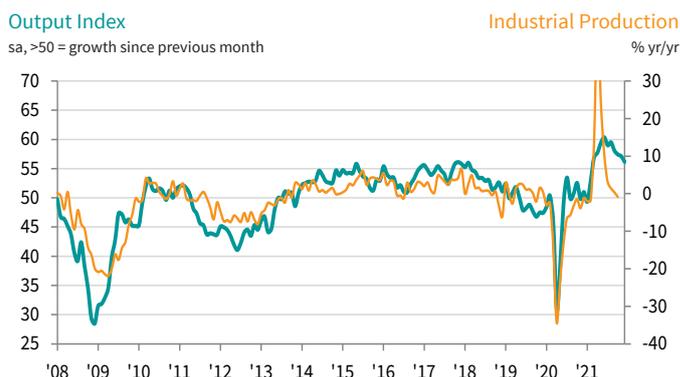
“These difficulties continue to undermine confidence, although firms believe that over the coming year underlying trends in output and demand will be positive.”

remained severe and amongst the greatest seen during the pandemic to date. Firms continued to report on a mismatch between supply and demand, whilst vendors struggle to secure transportation services, especially for sea freight.

Challenges in procuring goods again weighed on output, although growth was a little firmer than November's recent low. Firms are hopeful that production will continue to rise over the coming year, with confidence about the future higher than the previous month.

This helped to support another round of hiring activity, with modest growth in employment again recorded. Rising workloads, as reflected in the latest backlogs of work data, also encouraged firms to take on additional workers.

Concerns about the persistence of supply-side challenges and price rises were noted as factors likely to have an adverse impact on sector performance over the coming months. Such worries helped to explain the continued scramble for any inputs that were available for purchase from suppliers. Firms indicated the third strongest rise in stocks of raw materials and semi-manufactured goods in the survey history during December.



Contact

Paul Smith
Economics Director
IHS Markit
T: +44-1491-461-038
paul.smith@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44 207 260 2234
joanna.vickers@ihsmarkit.com

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

December data were collected 6-16 December 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).

e-mail: info@aerce.org. website: www.aerce.org.

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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