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IHS MARKIT SPAIN MANUFACTURING PMI®

Ongoing contraction of Spanish manufacturing sector during November

KEY FINDINGS

Challenging business climate weighs on activity

Output, new orders and employment fall

Prices down again in November

Spain's manufacturing economy continued to contract during November in the face of ongoing political and economic uncertainties. Although falling to lesser degrees than in October, output and new orders were again down markedly, in part the result of a faster drop in export business.

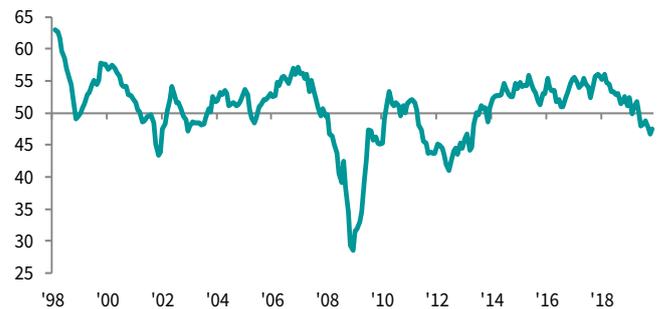
Job cuts were also recorded, as evidence of spare capacity persisted, whilst firms remained underwhelmed about future prospects. On the price front, firms benefited from reduced input costs, although strong competitive pressures meant output charges were reduced for a third month running.

The IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – improved from October's 46.8 to a level of 47.5 during the latest survey period. Despite a relative improvement since October, by posting below the 50.0 no-change mark that separates growth from contraction the index indicated a deterioration in operating conditions for a sixth month in succession.

Panellists widely commented on an ongoing paralysis in goods markets, both at home and abroad. Consumption and investment spending amongst clients was reported to be weighed down by persistent uncertainty regarding the current political and economic landscapes in Spain, across Europe and the world in general.

These issues showed up in the latest data on orders and output. Both remained firmly inside negative territory, although rates of decline were weaker than in recent months. Orders from abroad were also said to be down, with the net fall close to September's seven-year record. Demand from key European markets was noted as being especially weak in the latest survey period.

Manufacturing PMI
sa, >50 = improvement since previous month



Aforementioned uncertainties weighed on panellists' own views on the future. Despite strengthening to a three-month high, business confidence remained historically low during November, with the recent weakness in output and new orders undermining sentiment.

Such concerns had an inevitable impact on employment decisions, with latest data showing a modest cut in staffing levels for a seventh successive month. Further evidence of spare capacity at plants was provided by backlogs of work data, which indicated a decline in work outstanding at a rate only slightly slower than October's six-and-a-half year record.

Company retrenchment was also evident in purchasing and stocks data. The volume of inputs bought by firms declined for an eighth successive month, whilst firms signalled a desire to reduce costly stock holdings via cuts to both input and output inventories.

Reduced demand for inputs helped alleviate any supply chain pressures. Suppliers Vendors responded positively by improving their performance for the first time in over a decade.

Finally, amid reports of lower prices for metals, plastics and foodstuff, average input costs declined again. However, faced with strong competition and a weak demand environment, savings were partly passed onto clients via a third monthly fall in output charges.

COMMENT

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

"Whilst the relative improvement in this month's PMI raises hopes that the worst of the industrial downturn is passing, the sector remains a notable drag on the Spanish economy and is set to weigh on GDP figures for the fourth quarter.

"Companies widely reported facing goods markets characterised by client hesitancy and general uncertainty, the net impact being ongoing falls in demand, both from domestic and international sources.

"This is having an inevitable effect on firm retrenchment, with the respective employment, purchasing and stocks indices all inside negative territory in November."

Output Index

sa, >50 = growth since previous month

Manufacturing production

sa, %yr/yr



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.

November 2019 data were collected 12-22 November 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](https://www.ihsmarkit.com/products/pmi.html).

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