

IHS Markit Spain Manufacturing PMI®

Sharpest rise in output since May 1998

Key findings

Further strong rises in output and new orders

Rate of job creation quickens

Ongoing severe supply-chain delays

Data were collected 12-23 August 2021

A further improvement in demand supported strong growth in new orders and production during August, with Spanish manufacturers posting a near-record rise in output. As a result, firms took on extra staff at a faster pace and ramped up their purchasing activity.

That said, supply-chain disruption remained severe, contributing to further steep rises in input costs and selling prices. Some firms attempted to mitigate these issues by building stocks of purchases. Concerns around raw material supply contributed to business confidence easing to a nine-month low.

The headline IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – ticked up to 59.5 in August from 59.0 in July. The reading signalled a further marked improvement in the health of the sector, extending the current period of growth to seven months. Moreover, the strengthening of business conditions was among the most marked since the survey began in February 1998.

Central to the improvement in operating conditions was a substantial expansion of manufacturing production. Moreover, the rate of growth quickened and was the fastest since May 1998.

In turn, the rise in output reflected continued new order growth. New business expanded for the seventh month running, and at a marked pace albeit one that was the softest since April. A similar picture was seen with regards to new export orders, which increased sharply, but to a lesser extent than in July. In both cases, panellists linked gains to improvements in customer demand.

Further new order growth contributed to another increase in backlogs of work, and encouraged firms to take on extra staff.

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Spain Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Andrew Harker, Economics Director at IHS Markit, said:

“The Spanish manufacturing sector remained in a strong growth phase in August, according to latest PMI data, with faster growth in purchasing and employment helping firms to ramp up production in spite of the substantial disruption seen in supply chains.

“While there was little sign of the supply situation improving, there was further evidence that firms are looking to mitigate the impact of disruption by storing up inputs for future use. The extent to which manufacturers are successful in these efforts will likely dictate whether they are able to maintain the strong rates of production growth into the rest of the year.”

Job creation was recorded for the sixth successive month, with the latest rise faster than that seen in July.

Firms also ramped up their purchasing activity in response to higher production requirements. Furthermore, the rate of expansion in input buying was the third-fastest on record, behind only those seen in the first two months of data collection in early-1998.

Efforts to secure inputs were hampered by ongoing supply-chain disruption, however. Suppliers' delivery times continued to lengthen at a considerable pace, and one that was unprecedented prior to the COVID-19 pandemic.

The mismatch of supply and demand for raw materials led to a further sharp increase in input costs. The rate of inflation ticked up from that seen in July and was only slightly softer than June's survey record. In turn, firms raised their own selling prices rapidly, albeit at the softest pace since April.

The difficulty in securing raw materials led a number of manufacturers to seek protection by building up stocks of inputs. Inventories of purchases rose for the third month running, but the rate of accumulation was only marginal as supply-chain disruption often stymied attempts to secure inputs.

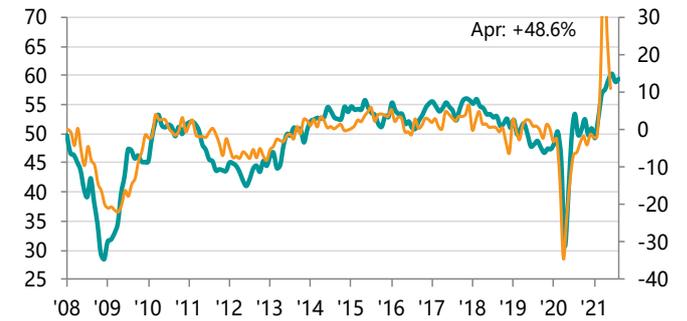
Concerns over securing materials led to a drop in confidence in August, with sentiment falling to a nine-month low. On balance, however, firms remained strongly optimistic that output will increase over the coming year, with positive sentiment based on hopes that the pandemic situation will improve both at home and abroad.

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

August data were collected 12-23 August 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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