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IHS MARKIT SPAIN MANUFACTURING PMI®

PMI signals little change in manufacturing performance during May

KEY FINDINGS

Output stagnates in May

Weakness of domestic demand weighs on sector

Job cuts reported for first time since late 2013

The Spanish manufacturing sector broadly stagnated during May as production stalled and new orders fell slightly. Marginal job losses were also reported, the first in nearly five-and-a-half years, as overall workloads fell amid signs of faltering demand. Confidence about the future deteriorated to a six-month low.

On the price front, input costs rose only modestly, as did output charges, despite the rate of inflation hitting its highest level for six months.

The IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – sank to a level of 50.1 during May. That was down from April's 51.8 and reflected a near stagnation in the health of the sector midway through the second quarter of the year.

Weighing on the headline index during May was a slight fall in the level of new orders. This represented the first decline in new work for three months, with latest data implying that weakness was primarily centred on the domestic market. There were reports of a stagnation of internal demand, linked by some to political instability.

New export sales in contrast continued to rise, though only marginally. Indeed, there was evidence of weak underlying demand from within key European markets, most notably France and Germany.

As new order books faltered, production at Spanish manufacturers stagnated. No change in output during May subsequently ended a run of production growth that had extended to nearly five-and-a-half years.

Market groups data indicated a considerable divergence in performance within the overall manufacturing economy.

Manufacturing PMI
sa, >50 = improvement since previous month



Whilst growth was sustained at a solid rate in the consumer goods category, operating conditions for investment goods producers deteriorated markedly.

The investment goods sector also recorded a marked cut in employee numbers during May given deteriorations in order books and production. Although consumer goods producers signalled further jobs growth, the rise was insufficient to prevent a net fall in employment at the aggregate level.

Though marginal, it was the first decline in jobs recorded by the survey since the end of 2013. Companies were nonetheless able to keep on top of their workloads comfortably, as signalled by a reduction in backlogs of work for the first time in three months.

Spanish manufacturers chose to reduce their purchasing activity during the latest survey period in line with the emerging weakness of order books and production. Companies opted instead to utilise stocks wherever possible, although a number attributed destocking to ongoing delivery delays from vendors.

Meanwhile, price data showed that overall cost inflation remained modest, despite reports of higher prices for chemicals, fuel and meat. Output charge inflation edged up to a six-month high but remained muted.

Finally, confidence about the future was at its lowest level in half-a-year during May. Concerns around the recent downward trends in production and new orders undermined confidence, according to panellists.

COMMENT

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

"Spain's manufacturing sector endured a challenging month during May, with producers of investment goods having a particularly torrid time.

"Capital goods manufacturers are suffering in the face of a difficult international demand environment, with demand from key European markets, especially the German autos sector, reported to be down.

"Adding to this were reports that the recent elections had led to some caution amongst businesses within Spain, resulting in a deterioration in domestic demand and ultimately order books for manufacturers during May. The knock-on effect of this was a pause in hiring and the first net fall in employment since late 2013."

Output Index

sa, >50 = growth since previous month



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.

May 2019 data were collected 13-23 May 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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