News Release

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IHS MARKIT SPAIN MANUFACTURING PMI®

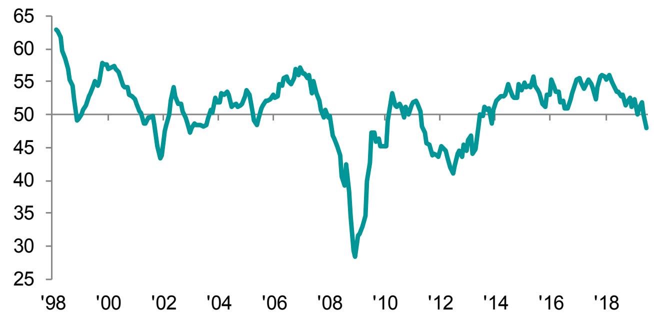
Tumbling orders and production push PMI into negative territory during June

KEY FINDINGS

Output down for first time in over five-and-a-half years

Demand for goods falls both at home and abroad

Input costs fall in June as metals and oil prices down



Spain's manufacturing sector slipped into contraction territory during June as output and new orders both declined amid signs of deteriorating market conditions. Job cuts were subsequently recorded for a second month running, whilst there were also falls in purchasing activity and faster levels of destocking.

Meanwhile, latest prices data showed a net reduction in prices paid for inputs, whilst firms cut their own charges for the first time in four months.

June's IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – fell to a level of 47.9 during June. Down from 50.1 in May, the index indicated only the second deterioration in operating conditions in just under six years. Although modest, the rate of contraction was also the greatest recorded by the survey since April 2013.

June's survey indicated a sharp fall in manufacturing output. Moreover, it was the first fall in production for over five-and-a-half years. Output was primarily cut in response to tumbling volumes of incoming new work. Amid widespread reports of deteriorating market conditions, both at home and abroad, the degree to which new work fell was the greatest since April 2013. Highlighting the increasing fragility of foreign demand, new export orders were found to have declined for the first time since February.

Poor trends in output and new work, plus increasing signs of spare capacity – backlogs of work declined in June at the fastest rate for over five-and-a-half years – resulted in a second successive monthly round of job shedding. The degree to which jobs were cut was also the sharpest for five-and-a-half years as firms broadly chose to not replace leavers at their plants.

On the purchasing front, the quantity of inputs bought by manufacturers fell for a third successive month during June. In line with trends for other variables tracked by the survey, the rate of deterioration accelerated and was the sharpest in over six years.

Rather than purchase new inputs, manufacturers continued to signal a preference for meeting production requirements out of stock wherever possible. This was highlighted by the greatest monthly decline in stocks of purchases for more than five years. Similarly, warehouse inventories were reduced for a fifth successive month and at the fastest rate since February 2013.

Further evidence of slowing market conditions was seen in prices data. With prices paid for metals, oil and its derivatives all reported to have fallen during June, average input costs declined for the first time in four months. Manufacturers responded by reducing their own output charges to a similar degree.

Looking ahead to the coming 12 months, Spanish manufacturers retained a sense of optimism that output would rise from present levels. Despite the negative trends in output and demand, confidence remained in positive territory albeit the lowest in seven months. Planned new product introductions, fresh marketing campaigns and the expected expansion into new markets all underpinned confidence about the year ahead.

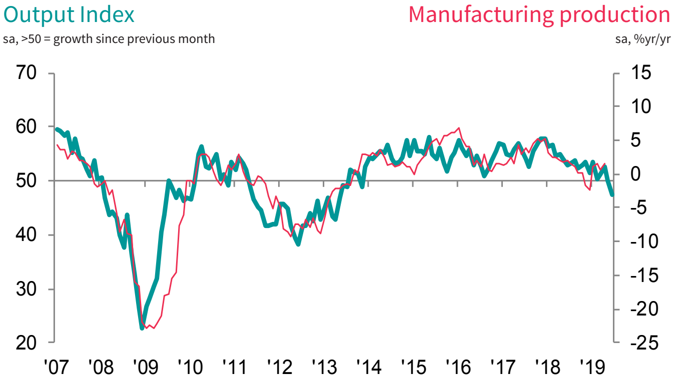
COMMENT

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

"Spain's manufacturing sector entered into contraction territory during June, with the respective PMI reaching its lowest level in over six years. The latest data indicate that there is a real chance that the industrial sector will prove to be a drag on second quarter economic output.

"The sector is being buffeted by a challenging economic environment, characterised by ongoing global trade tensions and political uncertainties.

"This is leading to sharply deteriorating new order book volumes and the subsequent retrenchment of manufacturers with regards to employment, inventories and purchasing activities."



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.

June 2019 data were collected 12-21 June 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.

About IHS Markit

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

About AERCE

AERCE is the Spanish Association of Purchasing and Supply Management. Founded in 1981 has 1,000 members, representing more than 10,000 related professionals, which include the most important companies in the country, institutions and professionals belonging to various industrial sectors, services and the public sector.

AERCE is a member of the International Federation of Purchasing and Supply Management (IFPSM).

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