

IHS MARKIT SPAIN MANUFACTURING PMI®

Manufacturing economy contracts at fastest rate since April 2013

KEY FINDINGS

Faster falls in output and new orders registered

Job losses recorded as confidence sinks

Deflationary pressures remain evident

Spain's manufacturing sector sank further into contraction territory during September. Output, new orders and purchasing activity all declined markedly, whilst there was a further round of job losses recorded. Confidence about the future sank to its lowest level since the start of 2013 as economic and political uncertainties persisted. Deflationary pressures were also prevalent, with both input costs and output charges falling since August.

The IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – registered 47.7 during September. That was down from 48.8 in August and marked not only a fourth successive monthly contraction of the sector, but the sharpest deterioration since April 2013.

The PMI reflected similar trends in output and new orders, with both of these variables also declining to the greatest degree in just under six-and-a-half years. There were reports from the survey panel of deteriorating demand conditions, both at home and abroad. Political and economic uncertainties were widely reported, and these factors helped to explain the sharpest fall in new export orders since July 2012.

Investment goods producers remained the hardest hit in September, with firms here registering considerable falls in both output and new work. In stark contrast, and maintaining the trend over the past year or so, consumer goods manufacturers continued to outperform by expanding at a solid and accelerated rate.

The latest reductions in output and new orders had noticeable impacts in areas such as employment and purchasing during

Manufacturing PMI
sa, >50 = improvement since previous month



September.

Job cuts were signalled for a fifth successive month, albeit at a slightly slower rate, whilst purchasing activity was lowered to the greatest degree since April 2013. Some firms signalled a desire to optimise existing stock and free up wherever possible working capital at their plants. Stocks of both purchases and finished goods were reported to be lower during September, although in both cases to lesser degrees than in the previous month.

In spite of falling demand for inputs, average lead times for the delivery of purchased items continued to deteriorate. There were reports from panellists of vendors deliberately running low stocks.

Meanwhile, price trends were firmly downward during September. Amid reports of lower prices for crude oil, plastics and paper, linked primarily to reduced demand from around the globe, overall operating costs were reduced for a fourth successive month. Deflation was amongst the sharpest recorded by the survey since early-2016 and in turn helped to explain a cut in output charges for the third time in the past four months. Competitive pressures were also cited as a reason for lower tariffs.

Finally, confidence about the future was at its lowest level since January 2013 during September. Panellists are widely worried about recent negative trends in new work, and expect these to continue for the foreseeable future given ongoing economic and political uncertainty.

COMMENT

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

"Following recent improvements in the headline PMI there was a return to a downward trend in manufacturing performance during September.

"The worst performance of the sector since the spring of 2013 was characterised by sharp reductions in output, new orders and purchasing. Political and economic uncertainties across Europe and around the world are clearly weighing on the country's manufacturing economy, especially for producers of capital goods who endured a torrid month.

"There also seems little hope of a fast turnaround – confidence about the future has slumped to its lowest level in over six-and-a-half years as domestic and international political problems such as Brexit show little sign of being resolved."

CONTACT

IHS Markit

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

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

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.

September 2019 data were collected 12-23 September 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).

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

Output Index

sa, >50 = growth since previous month

Manufacturing production

sa, %yr/yr



Source: IHS Markit, INE.

About IHS Markit

IHS Markit (NYSE: 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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, click [here](#).

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).

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