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## IHS MARKIT SPAIN MANUFACTURING PMI®

### Manufacturing downturn deepens in October

#### KEY FINDINGS

New orders and output fall noticeably amid challenging business climate

Political uncertainties weigh on demand and confidence

Price cuts as input costs fall again

A fifth successive monthly deterioration in Spanish manufacturing operating conditions was signalled in October as a challenging business climate negatively impacted on sales and output. Confidence about the future remained historically subdued, which weighed heavily on employment and purchasing decisions. Charges were also cut in a bid to boost flagging demand, helped in part by another monthly decline of input prices.

October's IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – posted a sub-50.0 no-change reading for a fifth successive month. At 46.8, down from 47.7 in September, the index also posted its lowest level for six-and-a-half years.

The deterioration in the PMI was led in the main by a sharp and accelerated drop in new orders. Against a backdrop of elevated economic and political uncertainty, both at home and abroad, there were widespread reports of underwhelming market demand and clients adopting a cautious approach to their buying and investment activities.

The net result was the sharpest fall in total new work recorded by the survey since April 2013. Foreign sales also declined for a fifth successive month, with firms noting the unhelpful impact on market confidence of Brexit and US trade policy. Demand from key Latin American markets was also reported to have fallen in October.

The continuation of a poor sales trend had an inevitable negative impact on production in October. Latest data showed that output fell for a fifth successive month, and at a rate that was the fastest in the past six-and-a-half years.

Output was prevented from falling at a faster pace by firms

Manufacturing PMI  
sa, >50 = improvement since previous month



clearing their existing orders to the fastest degree since April 2013. With little pressure on capacity, job cuts were also evident in October for a sixth successive month (although the contraction, being unchanged since September, was again only modest).

Meanwhile, firms chose wherever possible to free up working capital by reducing any unnecessary holdings of both inputs and finished goods inventories. Purchasing activity was also reduced at the fastest rate for six-and-a-half years, which helped alleviate any pressure on vendors. Although average lead times lengthened again in October, they did so at the weakest pace since August 2012.

On the price front, manufacturers benefited from reduced prices for several inputs such as copper, steel and plastics. Average input prices overall declined for a fifth successive month, albeit at a slightly reduced pace compared to September. Competitive pressures and a desire to boost flagging demand led to a second successive monthly reduction in output charges.

Finally, looking ahead to the next 12 months, firms remained broadly subdued when considering their assessment of the outlook for output. With political uncertainties expected to persist, several firms offered negative forecasts for demand and, subsequently, production for the coming year.

## COMMENT

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

*"October proved to be another challenging month for Spanish manufacturers as ongoing political uncertainties – both at home and abroad – weighed heavily on sector performance.*

*"Amid reports of a deteriorating business climate, sales fell heavily, and firms were unable to prevent a noticeable reduction in their output despite cutting existing work to the greatest degree in six-and-a-half years.*

*"Moreover, firms appear to be battenning down the hatches ahead of further expected weakness in output and sales over the next 12 months. With the explicit aim of freeing up working capital and maintaining their cash flow, stocks and purchasing are being cut to even greater degrees than in recent months – and adding to the perception that any noticeable turnaround in sector performance will not be forthcoming this side of year end."*

## CONTACT

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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.

October 2019 data were collected 11-24 October 2019.

### About PMI

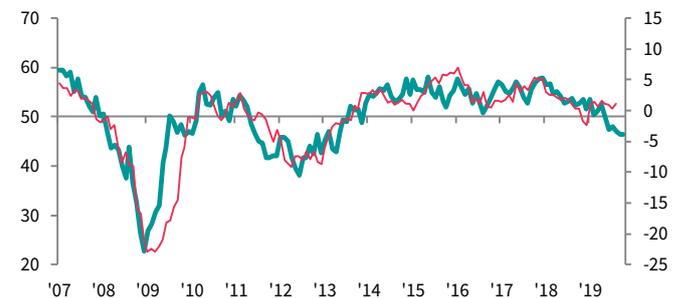
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### Output Index

sa, >50 = growth since previous month



Source: IHS Markit, INE.

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

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