News Release

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IHS MARKIT
SPAIN MANUFACTURING PMI®

Manufacturing sector contracts again as employment falls at an accelerated rate

KEY FINDINGS

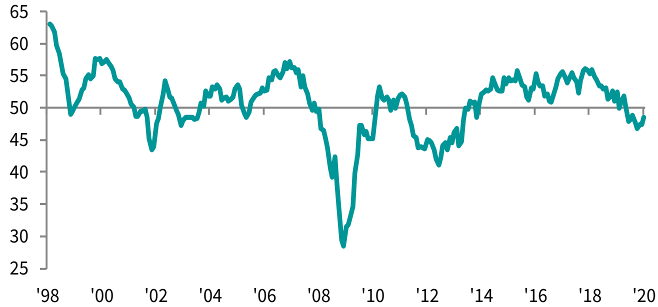
Production, new orders and purchasing all decline again

Job losses recorded to greatest degree since late 2013

Expectations for growth strengthen at start of new year

Manufacturing PMI

sa, >50 = improvement since previous month



The performance of Spain's manufacturing sector continued to underwhelm at the start of the new decade. Output, new orders and purchasing activity all fell in January, albeit at slower rates compared to December, whilst jobs were cut to the sharpest degree since November 2013. Output charges were again reduced as firms sought to not only pass on lower input prices to clients, but also respond to competitive pressures and the fragile demand environment.

The IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – remained below the 50.0 no-change mark in January, extending the current period of deteriorating business conditions to eight months.

That said, an improvement in the PMI to 48.5, from 47.4 in the previous month, pointed to a modest and slower rate of contraction. This principally reflected weaker falls in both output and new orders. Latest data showed that output was cut to the weakest degree in eight months, in line with the weakest reduction of new work since August.

Nonetheless, firms continued to bemoan the fragility of underlying demand in both domestic and external markets. January's survey indicated that export sales were down for an eighth successive month as lingering global economic uncertainty weighed on new business.

Another period of falling sales at the start of 2020 meant that firms were again able to make inroads into their work outstanding. The solid reduction in backlogs recorded by the survey panel was the ninth in consecutive months.

The continued opening of spare capacity in the sector meant several firms remained in defensive mode. Purchasing activity was lowered for a tenth successive month in January, whilst stocks of both inputs and finished goods were also reduced again.

Moreover, firms continued to cut employment at their plants. January marked a ninth consecutive month of falling employment, with the latest rate of contraction the sharpest recorded by the survey in over six years.

Meanwhile, on the price front, manufacturers benefited from reduced purchasing costs in January. According to the latest data, prices paid have now fallen for eight months in a row, although the latest deflation was little changed since December. Companies chose to pass on their savings to clients in the form of lower charges. Discounting also reflected conscious efforts to stimulate sales and respond to a deeply competitive marketplace.

Despite the continued under-performance of several key business metrics, confidence about the future improved during January to its highest level for seven months. Companies signalled plans to launch new products, bolster commercial activities and improve plant facilities in the coming year. An anticipated pick-up in sales should also support activity growth over the next 12 months.

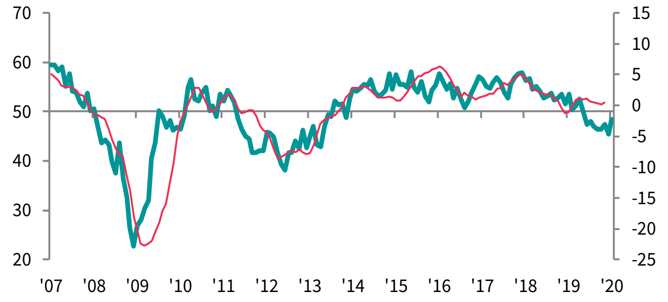
COMMENT

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

"Spain's manufacturing sector remained mired in contraction territory at the start of 2020, with output, new orders and purchasing all falling in line with reports of an underwhelming business environment.

"Firms subsequently remained in a defensive mindset, shedding jobs at a rate unprecedented over the past six years, whilst simultaneously cutting their purchasing and inventories as they await a definitive uplift in demand.

"With that in mind, business expectations data provide some hope for better times ahead: confidence about the future hit its highest level since last June as firms signalled positive intentions for investment and expected sales growth over the next 12 months."



Source: IHS Markit, INE.

CONTACT

IHS Markit

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

Katherine Smith
Public Relations
T: +1 (781) 301-9311
katherine.smith@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.

January 2020 data were collected 13-24 January 2020.

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

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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.

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