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IHS MARKIT SPAIN MANUFACTURING PMI®

Output growth at two-year low in September

KEY FINDINGS

Weaker rise in production amid slight increase in new orders

Rate of job creation also softens

Charges increase as input costs rise sharply

The Spanish manufacturing sector saw growth slow at the end of the third quarter of 2018, with weaker increases in output, new orders and employment all recorded. This continued the broad trend in recent months of a subdued manufacturing performance.

On the price front, the rate of input cost inflation ticked up and remained sharp. Meanwhile, output prices were raised, following the first decline in almost two years in August.

The headline IHS Markit Spain Manufacturing PMI® – a composite single-figure indicator of manufacturing performance – dropped to 51.4 in September, down from 53.0 in August and signalling only a slight monthly improvement in the health of the sector. In fact, the latest strengthening of business conditions was the least marked since August 2016.

September saw a slight expansion of new orders at Spanish manufacturers, with the rate of growth the weakest in over two years. The launch of new products and inflows of new business from abroad supported growth, according to respondents. New export orders rose modestly, but as with total new business, the rate of expansion softened.

The slowdown in new order growth was matched by a weaker rise in production at the end of the third quarter. Output continued to increase solidly, extending the current sequence of expansion to 58 months, but the latest rise was the slowest for two years.

Solid output growth alongside a weaker rise in new orders led to a further build-up of stocks of finished goods. That said, the rate of accumulation was the slowest in 2018 so far.

Manufacturing PMI
sa, >50 = improvement since previous month



Manufacturers noted a slight rebound in backlogs of work during September, following a fall in the previous month.

Weaker growth of production requirements led firms to scale back expansions in both employment and purchasing activity. Staffing levels rose slightly, and to the least extent since August 2016. Meanwhile, the rate of growth in purchasing activity was also modest, and stocks of purchases decreased for the second month running.

The rate of input cost inflation ticked up and was faster than the series average. There were widespread reports of rising raw material prices, with fuel, oil and steel mentioned in particular.

After having decreased in August, prices charged by Spanish manufacturers increased in September as firms passed on higher input costs to customers. That said, the rate of inflation was only slight.

As has been the case throughout the past nine years, suppliers' delivery times lengthened in September, albeit to a lesser extent.

Business confidence improved, with positive sentiment reflecting expectations that new orders will continue to increase. Expanded capacity is also set to support output growth over the coming year.

COMMENT

Commenting on the PMI data, Andrew Harker, Associate Director at IHS Markit said:

"Spanish manufacturing firms again saw growth lose momentum in September. New orders rose only slightly, with the strong expansions seen around the turn of the year now well in the past. Manufacturers will be hoping for demand conditions to strengthen over the rest of the year to help invigorate output growth, which is currently running at the slowest for two years."

Output Index

sa, >50 = growth since previous month

Manufacturing production

sa, %yr/yr



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.

September 2018 data were collected 12-21 September 2018.

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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