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IHS MARKIT SPAIN MANUFACTURING PMI®

Modest growth of Spanish manufacturing sector signalled in October

KEY FINDINGS

Faster gains in both output and new orders recorded

Business confidence down to lowest level since mid-2013

Price pressures remain elevated

Spain's manufacturing sector continued to expand during October, with faster gains in output and new orders both recorded. As capacity came under renewed pressure, manufacturers added to their workforce numbers, albeit at a modest rate as business confidence regarding the future slumped to its lowest level since mid-2013.

Meanwhile, latest data showed that rising prices for energy, foodstuffs and metals contributed to another round of noticeable input cost inflation.

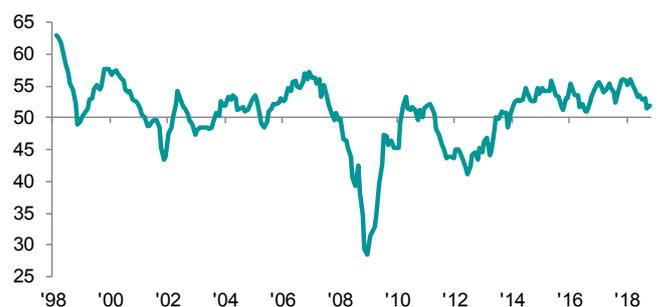
The headline IHS Markit Spain Manufacturing PMI® – a composite single-figure indicator of manufacturing performance – registered 51.8 during October. That was up from 51.4, but nonetheless indicative of a relatively modest improvement in operating conditions.

Moreover, growth was again at a level well down on those seen around the turn of 2018. This reflected similar trends in output and new work, which both increased at stronger rates compared to September but nonetheless remained lower than earlier in the year.

There were nonetheless a number of reports from panellists of an upturn in demand, especially from international clients. New export orders rose at the fastest pace since July, and foreign sales have now risen on a sustained monthly basis throughout the past five-and-a-half years.

October's survey indicated that capacity came under some renewed pressure as evidenced by a rise in backlogs of work. A number of manufacturers were suitably encouraged to add to their workforce numbers, extending the current period of

Manufacturing PMI
sa, >50 = improvement since previous month



growth to just under five years.

Modest jobs growth occurred in spite of a deterioration in business confidence. Latest data showed that sentiment regarding future activity declined to its lowest level since June 2013. The recent downturn in underlying demand growth, linked to worries over global trade, plus political uncertainties, were reported to have undermined confidence.

Providing further concerns over future output growth was another build-up in stocks of finished goods. Warehouse inventories rose during October for a fourteenth successive month, with some firms linking stock accumulation to an overproduction of goods relative to the flow of new work.

Meanwhile, lead times for the delivery of inputs continued to lengthen, but at a slower rate. Although purchasing activity increased again in October, placing pressure on suppliers, the degree to which times worsened was the weakest in over two years.

Input prices continued to increase during October. Energy, foodstuffs (especially cereals and wheat) and metals (steel in particular) were all reported to have increased since September. Output charge inflation subsequently accelerated to a three-month high.

COMMENT

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

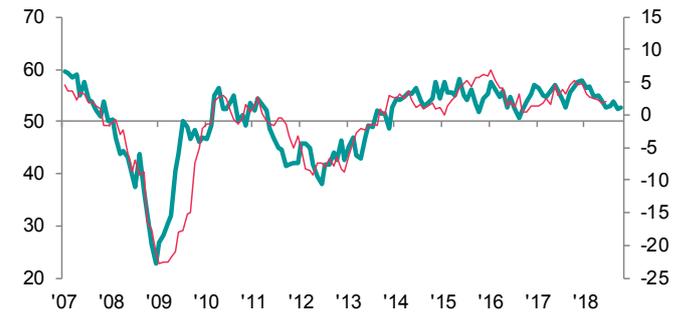
"Although picking up a little during October, the latest data remain consistent with only marginal growth of the manufacturing sector heading towards year end.

"This is a far cry from the strong rates of expansion seen towards the end of 2017 and the start of this year, although the slowdown is closely intertwined with the downturn of the global trade cycle that has affected many manufacturing economies around the world.

"Nonetheless, the near-term outlook looks subdued, with inventories in the sector continuing to build and business confidence softening on the back of concerns over global trade trends, political uncertainties and faltering demand growth."

Output Index

sa, >50 = growth since previous month



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.

October 2018 data were collected 11-24 October 2018.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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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