

IHS Markit Spain Manufacturing PMI®

PMI hits highest level in over 21 years

Key findings

New orders and production up sharply...

...though supply-side challenges constrain growth

Price pressures continue to build

Data were collected 12-23 April 2021

The Spanish manufacturing economy recorded its best single monthly improvement in operating conditions of the century so far, with growth underpinned by sharply rising levels of new orders, production, and employment. However, severe supply-side constraints persisted amid ongoing product shortages at vendors and transportation challenges. This led to another round of sharply rising input costs and a series record increase in output charges.

The headline IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – registered above the 50.0 no-change mark for a third successive month in April. Moreover, rising to 57.7, up from 56.9 in March, the index recorded its highest reading since December 1999.

There was a noticeable uplift in new orders over the month, with growth remaining sharp and only slightly down on March's recent peak. Demand was reportedly higher both from at home and abroad: new export orders rose to the greatest degree since February 2018 amid reports of higher sales around the world, including North Africa and Latin America.

Companies reported that market demand was strengthening, with clients increasingly confident in the outlook amid expectations of a firm uplift in activity as COVID-19 restrictions are reduced. Indeed, such factors helped to explain an ongoing high degree of confidence amongst Spanish manufacturers in April, with expectations data remaining historically high in the latest survey period.

Strengthening order books led companies to raise their production volumes, with growth again marked, though a little down on March's 39-month high. The slowdown was partly a result of increasing bottlenecks in the supply of

continued...

Spain Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Paul Smith, Economics Director at IHS Markit, said:

"Spain's manufacturing sector continued to boom during April, with output and new orders again recording stellar gains, albeit at slightly slower rates than in March.

"With demand strengthening and expected to continue to do so in the months ahead as economies reopen further, any challenges for the sector are predominately stemming from the supply-side, with delays in the delivery of inputs hitting broadly unprecedented rates and placing a constraint on growth.

"Firms are subsequently looking where possible to strengthen their pre-production inventory levels to avoid any further delays but are nonetheless buffering up against capacity limits and orders are starting to back up.

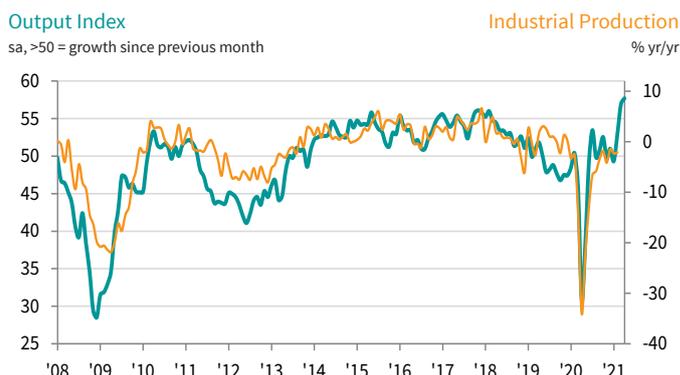
"This is benefiting workers, with the demand for labour increasing, and jobs growth accelerating noticeably. However, less positive is the build-up of price pressures: both input costs and charges rose sharply again in April as both suppliers and manufacturers took advantage of strong market demand."

inputs, with firms signalling another severe and historically sharp lengthening of vendor delivery times. Product markets were again widely reported to be under noticeable strain, as stronger demand and challenges in freight transportation led to shortages for a wide variety of inputs.

An effect of supply-side challenges was to constrain production growth, with firms using inventories wherever possible to help keep output lines running. Nonetheless firms were unable to prevent a rapid build up in backlogs of work (the second strongest in nearly 19 years of data collection).

Companies also took on extra staff to try and cope with rising workloads, and employment rose to the greatest degree since early 2018. Purchasing activity was also raised sharply as firms anticipated ongoing product shortages and sought to boost buffer stocks. These efforts were broadly unsuccessful as input inventories overall declined for a twenty-sixth successive month.

Global product shortages and rising demand continued to have a noticeable impact on prices over the month, with input costs rising to the greatest degree since March 2011. Goods reported to be up in price included chemicals, metals, fuel and plastics, with firms indicating a strong desire to pass these higher costs on to clients wherever possible. Taking advantage of firmer demand, output charges rose in April to the greatest extent since data were first available in mid-2002.



Sources: IHS Markit, INE.

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Survey 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.

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

Survey dates and history

April data were collected 12-23 April 2021.

Survey data were first collected February 1998.

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

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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.

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