NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Spain Manufacturing PMI®

Weakest growth of Spanish manufacturing economy in seven months

Key findings:

Increase in new work registered…

…but output and employment both decline

Confidence in the outlook sinks to lowest of year so far

Data were collected 12-22 August 2024

Operating conditions in Spain's manufacturing economy continued to improve overall during August, although the latest data masked diverging trends across several key metrics. On the one hand, a rise in new work was a positive development. However, in contrast, output fell slightly, employment declined for the first time since January and confidence in the outlook dropped to an eight-month low.

The headline **HCOB Spain Manufacturing Purchasing Managers' Index™ (PMI®)** posted 50.5 in August, compared to 51.0 in July. Growth has now been recorded for seven months in a row, although the latest expansion was the slowest in this sequence.

A rise in new orders was signalled by August's survey data, an improvement on the slight drop that was recorded in July. Growth was supported by a rise in new export business, which increased for a sixth successive month.

Despite growth in new work, manufacturers signalled a marginal drop in production for the first time since January. Confidence in the outlook also softened, amid concerns that demand growth from European markets will weaken over the next 12 months. Overall, sentiment was at its lowest level of the year so far. Firms also cut their buying activity marginally, instead preferring to utilise inventories wherever possible.

Concern over future production also weighed on employment decisions, with a modest drop in staffing levels signalled during August. It was the first time since January that a fall in employment has been registered with several reports about the non-replacement of leavers. Reduced manpower and a drop in output resulted in the strongest rise in backlogs of work recorded by the survey since May.

Meanwhile, there were again reports that manpower and goods shortages at suppliers had led to a deterioration in typical vendor performance. Overall, average lead times worsened for a fourteenth successive month and to the greatest degree since February. Shipping delays also impacted manufacturers' ability to ship their own goods. Latest data showed that warehouse inventories rose for a third month running in August.

On the price front, input cost inflation was sustained for a seventh successive month in August. The rate of inflation continued to slow noticeably from June's recent high, dropping to a four-month low. There were some reports of better supply and demand dynamics in product markets.

Where costs rose, panellists tried to pass these on to customers wherever possible. This meant that output charges rose again in August, the fourth month in a row this has been the case. However, amid reports of market competition and a need to offer discounts to bolster sales, the rate of inflation was marginal and the slowest in the current sequence.

Comment

Commenting on the PMI data, Jonas Feldhusen, Junior Economist at Hamburg Commercial Bank, said:

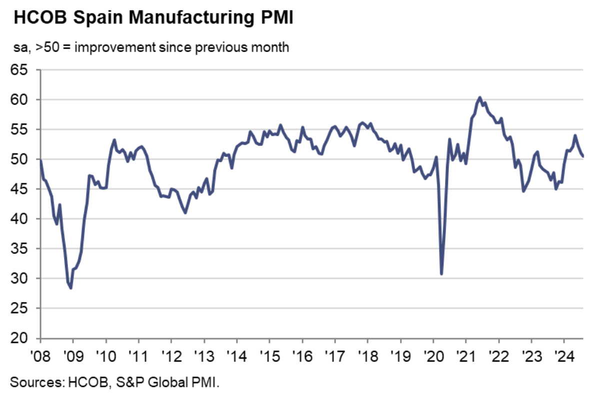
"The trends in Spain's manufacturing sector keep showing signs of weakening. Although the sector's index remains marginally above the critical 50-point threshold, currently positioned at 50.5, the recent three-month trajectory clearly indicates a move toward stagnation. This development is consistent with the broader global economic environment and does not come as a surprise. Industrial sentiment across Europe, which had shown signs of improvement in the first half year, has recently experienced a downturn. Consequently, industrial demand within Spain, sourced from both domestic and international markets, is now limited to only marginal growth. Furthermore, production levels have declined for the first time since January, underscoring the sector's current challenges.

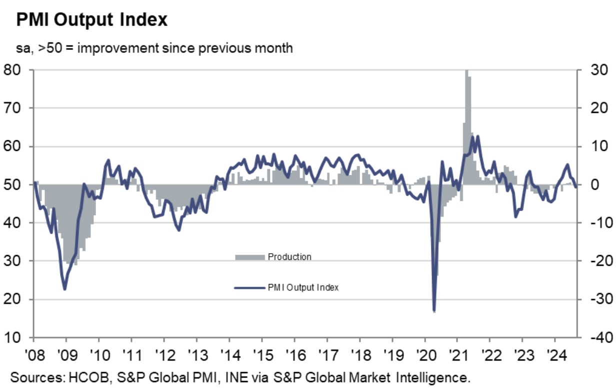
"Business expectations have dropped well below the historical average, reaching their lowest point of the year so far. Some surveyed companies voiced concerns that industrial momentum across Europe could worsen in the coming months. Reflecting this sentiment, Spanish manufacturers have, for the first time in seven months, initiated layoffs or opted not to replace departing employees.

"There's some positive news on the pricing front. Input costs for Spain's manufacturers saw only marginal increases in August. Where costs did rise, surveyed companies attempted to pass them on to consumers, though with only limited success. Due to weaker demand, some firms introduced discounts to prevent a significant drop in sales. As a result, sales inflation was only marginal.

"The manufacturing sub-sectors are showing a mixed picture. While consumer and intermediate goods remain in expansion territory, the investment goods PMI has dropped sharply into contraction territory. The particularly severe impact on this sub-sector could be attributed to general uncertainty, prompting firms to respond cautiously by delaying or cancelling investments."

-Ends-





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Note to Editors

The HCOB Spain Manufacturing PMI® is compiled by S&P Global 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. Data collection began in February 1998.

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@spglobal.com.

Hamburg Commercial Bank AG

Hamburg Commercial Bank (HCOB) is a private commercial bank and specialist financier headquartered in Hamburg, Germany. The bank offers its clients a high level of structuring expertise in the financing of commercial real estate projects with a focus on Germany as well as neighboring European countries. It also has a strong market position in international shipping. The bank is one of the pioneers in European-wide project financing for renewable energies and is also involved in the expansion of digital and other areas of important infrastructure. HCOB offers individual financing solutions for international corporate clients as well as a focused corporate client business in Germany. The bank's portfolio is completed by digital products and services facilitating reliable, timely domestic and international payment transactions as well as for trade finance.

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S&P Global (NYSE: SPGI)

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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).

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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. www.spglobal.com/marketintelligence/en/mi/products/pmi.html

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