

IHS Markit Spain Manufacturing PMI®

PMI surges to highest level since late 2006

Key findings

Rapid rises in output and new orders recorded...

...despite ongoing supply-side challenges

Price indices reach decade highs

Data were collected 12-24 March 2021

Spain's manufacturing economy benefited from a noticeable upturn in demand during March, with output being pushed up to its strongest degree since the end of 2017 and confidence also improving to its highest in over three years. Employment rose for the first time in five months, as firms struggled to keep on top of workloads.

However, there were some noticeable challenges for firms to overcome, with delays in the delivery of inputs becoming increasingly acute and prices paid for inputs surging at the strongest rate in the past 10 years.

The headline IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – maintained its recent positive trend in March, rising to 56.9 from 52.9 in February. Posting above the 50.0 no-change mark for a second successive month, the latest PMI figure was the highest since December 2006.

The PMI was primarily driven higher by dual increases in both output and new orders over the month. Production increased to the fastest degree since December 2017, whilst the rise in overall new orders was the sharpest in over four years. Growing confidence in the economic outlook was widely reported by firms to have supported demand, both at home and abroad. New export orders rose in March to the greatest degree since February 2018.

Firms indicated that production was partly hampered however by delays in the receipt of ordered inputs from suppliers. Amid widespread reports of global product shortages, reflective of both market supply and demand tensions, panellists indicated the sharpest deterioration in average lead times since the survey records seen during the height of the pandemic last year. This led to firms dipping, wherever possible, into their inventories to keep production

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 economy enjoyed a stellar March, with output growth hitting its best for over three years on the back of sharply rising domestic and international demand for manufactures.”

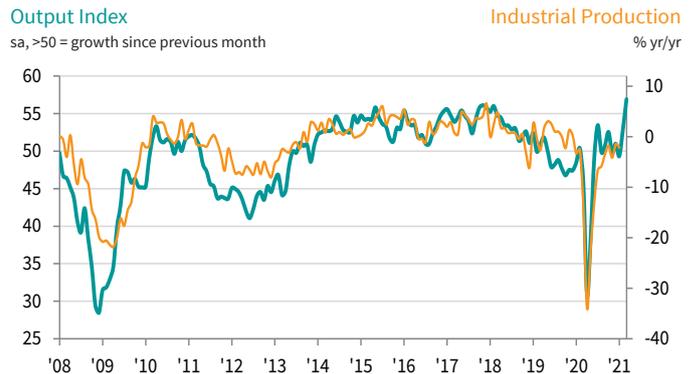
“The sting in the tail of this sharp upturn however is that supply chains continue to be stretched, with firms reporting near record deteriorations in delivery times amid reports of a wide range of goods being in short supply. There was subsequently evidence that such delays were beginning to hamper output schedules, with firms having to, where possible, utilise stocks to keep production lines running.”

“Input shortages are also continuing to fuel noticeable price increases, with both input costs and output charges rising at the strongest rates in a decade. As long as supply chains remain stretched, and with growth set to continue – expectations strengthened further in March – prices appear set to continue to rise for some time to come raising a real risk of a spillover into consumer price indices in the coming months.”

lines running. A desire to replenish stocks, plus positive projections for workloads, also helped to drive the largest increase in purchasing activity since February 2018.

Product shortages and delivery challenges continued to push up prices during March, with the latest data showing that input price inflation was the highest for ten years. A wide range of goods were reported to be up in price, including chemicals, electronics, metals, paper, and plastics. Transportation costs were also reported to be higher. Many firms indicated little choice but to increase their own charges. Whilst not rising to the same degree as costs, output price inflation was also the sharpest recorded for a decade.

Despite various supply and price challenges, companies nonetheless indicated a higher degree of confidence about the future, with latest data showing that optimism was the best since the start of 2018. Alongside rising overall workloads, the improvement in confidence helped to explain a rise in employment for the first time in five months. Growth in staffing levels was also the best seen since mid-2018.



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

March data were collected 12-24 March 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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