News Release

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S&P Global Spain Manufacturing PMI®

Start of 2023 brings softer downturn in Spain's manufacturing sector

Key findings

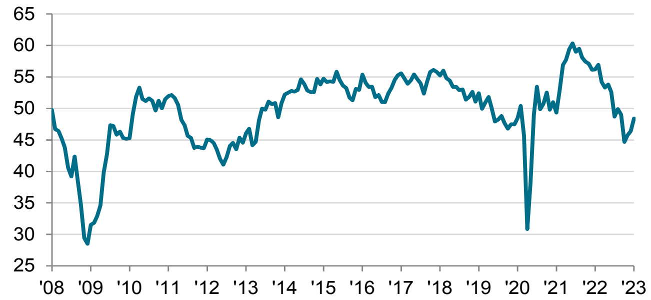
Production and new orders fall at slower rates

Year ahead outlook strengthens to seven-month high

Selling price inflation eases to two-year low

Spain Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 12-24 January 2023

Spain's manufacturing sector remained firmly within contraction territory in the first month of 2023, albeit with business conditions deteriorating to a lesser extent than seen in each of the three months prior. Muted demand conditions remained a key theme in the latest survey and were reportedly largely responsible for sustained reductions in output, new orders, purchasing, and stocks of inputs. That said, rates of decline in each of the aforementioned indices softened from December to signal some tentative signs of market recovery. Firms were hopeful for an improvement in demand in the coming 12 months and registered the highest degree of confidence since June 2022. Inflationary pressures also displayed signs of easing, as indicated by rates of input cost and selling price inflation dipping to 27- and 24-month lows respectively.

The headline S&P Global Spain Manufacturing PMI® – a composite single-figure indicator of manufacturing performance – rose from 46.4 in December to 48.4 in January to signal a seventh successive monthly deterioration in the health of the Spanish manufacturing sector. That said, having now improved for three consecutive months, the headline index number was indicative of the softest contraction since September last year.

Amid ongoing reports of muted underlying demand, order book volumes held by Spanish manufacturers fell solidly in January and for the eighth month in a row. A similar reduction was recorded for new export orders. That said, rates of decline eased markedly in both cases.

To mirror trends in demand, for the fifth month in a row, Spanish manufacturing firms cut back on production in January, albeit at the softest pace since last September.

Against a backdrop of falling output and subdued demand, the requirement for inputs at Spanish manufacturing firms reduced in January. As such, input buying decreased for an eighth successive month, but at the weakest rate

Comment

Laura Denman, Economist at S&P Global Market Intelligence, said:

"The Spanish manufacturing sector started 2023 on a slightly better footing when compared to the latter half of 2022. While still firmly in contraction territory, the latest PMI reading was indicative of a softer deterioration in the overall health of the sector, and one which was the weakest since September 2022. This was also the case for several of the other key indices in January. In fact, rates of reduction for output and new orders were the least pronounced in four and five months, respectively. Such developments indicate that Spanish manufacturing firms have perhaps experienced the nadir of the current downturn. This outlook was seemingly shared by firms within the sector who expressed the strongest degree of confidence in seven months.

"Other positive aspects of the survey came from the sustained easing in inflationary pressures. While still rising, rates of both input cost and output price inflation continued along their current trajectories and softened further in the first month of the year. With interest rates rising and demand generally muted, it is expected that we will see the inflationary environment continue to cool over the coming months."

PMI® by S&P Global

since September. Subsequently, pre- and post-production inventory levels were each downwardly revised but at a rate the least pronounced in four months in the case of the former.

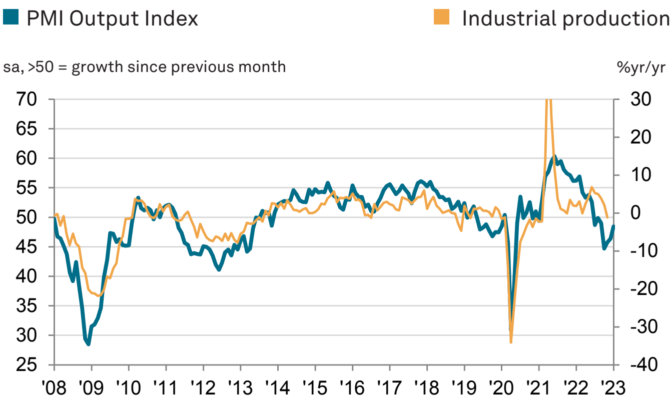
Meanwhile, there was further evidence of spare capacity in the manufacturing sector, as indicated by an eighth consecutive monthly reduction in backlogged work at the start of the year.

For the second time in as many months, workforce numbers across Spain's manufacturing sector were stable in January. Some firms who registered a lower level of employment cited voluntary resignations while others reportedly added to staffing levels in preparation for the future.

Following three months in which delivery delays eased, January data was indicative of a stronger deterioration in vendor performance. That said, the degree of lead time lengthening was far weaker than rates seen over much of the past three years.

Turning to prices, rates of both input cost and selling price inflation continued along their current trajectories and eased to 27- and 24-month lows, respectively. While some firms have reportedly continued to drive their prices up to reflect increasing cost burdens, the recent downturn in new orders led others to set prices more competitively.

Looking ahead to the future, confidence across Spain's manufacturing sector strengthened further in January. In fact, the degree of optimism was the strongest since June 2022 amid hopes for successful product launches, business expansion plans and upcoming projects.



Sources: S&P Global, INE.

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Survey methodology

The S&P Global 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@ihsmarkit.com.

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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. ihsmarkit.com/products/pmi.html.

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