

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Spain Manufacturing PMI®

Slower expansion of Spanish manufacturing sector in November

Key findings:

Regional flooding reported to have limited growth

Output, new orders and employment nonetheless rise solidly

Confidence in outlook remains positive

Data were collected 12-22 November 2024

Spain's manufacturing economy continued to expand during November, albeit at a slower rate. Output and new order growth both weakened, in part reflective of the heavy flooding that hit areas of Spain from late October onwards. Employment and purchasing gains were similarly maintained but to reduced degrees.

Underlying demand was noted to be positive nonetheless, especially on the export front. Confidence in the outlook subsequently remained high and reached its best level since May. Inflationary pressures meanwhile were broadly contained, with costs rising only modestly and output charges down slightly.

The headline **HCOB Spain Manufacturing Purchasing Managers' Index™ (PMI®)** fell to 53.1 in November, from 54.5 in the previous month. Latest data marked the tenth successive survey period in which the PMI has posted above the 50.0 no-change mark, and the latest data pointed to another period of solid, albeit softer, sector growth.

Slower increases in production and new orders were recorded in November, which panellists linked in part to the DANA (Depresión Aislada en Niveles Altos) weather phenomenon that led, from late October onwards, to severe flooding in parts of Spain. Nonetheless, despite slowing, growth rates remained positive and underlying demand was reported to be strong. This was especially the case for international sales, with new export orders increasing to the greatest degree since September 2021. Neighbouring European countries were noted as sources of positive external demand.

With output and new orders rising at weaker rates, manufacturers similarly reported slower growth in both purchasing and employment over the month. Where jobs were added, firms noted higher workloads and production constraints at their plants, as evidenced by a tenth successive monthly increase in backlogs of work. On the purchasing front, some firms signalled a preference for utilising existing stocks in production, and this led to a first modest reduction in stocks of purchases for three months.

Delivery delays also encouraged firms to utilise existing inventories wherever possible. Average lead times for the delivery of inputs were reported to have lengthened, with floods noted to be a contributory factor. Overall, the deterioration in times was the steepest since February.

On the price front, input cost inflation accelerated in November, but remained modest and well below the survey average. Where costs increased, this was linked to higher raw material prices, especially for metals. With input price inflation broadly contained, and competitive pressures noted, output charges fell for a third month in a row (albeit only marginally).

Finally, confidence in the outlook remained positive. Firms are hopeful of a more stable global macroeconomic environment in the months ahead, with higher demand forecast and positive results from planned commercial actions expected. Overall,

sentiment strengthened for a third month running and hit its highest level since May.

Comment

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

"The Spanish manufacturing sector continued its expansion in November – albeit at a slower pace and despite the fatal floods in the region of Valencia. The index fell a bit from 54.5 to 53.1 but still remained comfortably in growth territory. Output and new orders continue to show expansion, albeit at a slower pace. New export order book growth even accelerated to the highest level in over three years.

"The Investment Goods sector is showing notable improvement, especially by orders growth. The positive development of this sector comes as a surprise, especially given that the automotive sector across Europe is currently under significant pressure. However, in Spain, growth in investment goods has improved noticeably. The reason behind this surge could be, unfortunately, a sad one. According to media reports, a high five-digit number of cars were destroyed in the recent floods. Replacing these ruined cars through insurance claims could have generated new demand.

"The outlook for Spanish manufacturers remains above its long-term average, given the stable order situation and the hopes that the global business environment improving next year. As production and orders remain high and manufacturers are optimistic about their future business, additional staff was added for the third consecutive month. This should also help reduce growing backlogs of work.

"Input delivery times have worsened, with panellists attributing this to the regional floods in Valencia. However, the current supply bottlenecks are relatively moderate compared to the delivery delays we saw at the peak of the coronavirus pandemic, as the latest PMI survey indicates. Input prices have ticked up a bit, but the culprit isn't delivery times – it's the rising cost of raw materials. Moreover, higher input prices have not resulted in enhanced prices charged, as competition leaves little place for rising prices."

-Ends-

HCOB Spain Manufacturing PMI

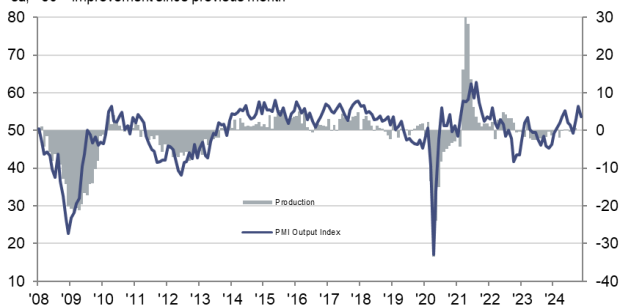
sa, >50 = improvement since previous month



Sources: HCOB, S&P Global PMI.

PMI Output Index

sa, >50 = improvement since previous month



Sources: HCOB, S&P Global PMI, INE via S&P Global Market Intelligence.

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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.

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

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