

IHS Markit Spain Manufacturing PMI®

New order growth strengthens but output gains remain constrained

Key findings

Sharper rise in new orders

Production growth again limited by supply-side challenges

Output charge inflation hits record high

Data were collected 12-24 January 2022

Spain's manufacturing sector remained firmly in expansionary mode during January, with new orders rising sharply, employment growth strengthening and purchasing activity up markedly. However, challenges in procurement persisted, with suppliers' delivery times lengthening again notably and therefore placing a constraint on production growth.

Price pressures also persisted. Despite input price inflation moderating to a five-month low, it remained considerable. Output charges rose at a survey record rate.

The headline IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – was unchanged at 56.2 during January, and subsequently above the 50.0 no-change mark for a twelfth successive month.

New order volumes increased sharply at the start of 2022, with firms reporting higher demand from both domestic and international sources. Export orders rose at a solid pace, whilst the run of growth in total new orders was extended to a complete year.

There was also a confidence amongst manufacturers that the positive trend in sales will persist over the coming months, with confidence hitting its highest level in four years. Optimism was linked by firms to hopes that the situation related to the COVID-19 pandemic will continue to improve, leading to a further upswing in sales and production.

However, there remained some worries over the adverse impact on production of supply-side constraints and elevated price pressures. January data showed that output rose solidly, but at a rate of growth that was slower than December and well below the equivalent measure of orders. This inevitably led to further capacity pressures: backlogs of

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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 expand markedly during January, underpinned by rising levels of new orders, both from at home and abroad. And positively, firms are expecting upward trends in sales to continue over 2022, with confidence about the future hitting its highest level in four years.”

“Despite easing further, supply-side constraints persist, and continue to support extremely high price pressures. These factors remain a worry for firms, although they have been able to pass on a decent proportion of their elevated costs to firms by raising charges at an unprecedented pace in January.”

work rose sharply and at the sharpest pace for three months.

A positive, however, was that firms looked to take on additional staff. Growth was the sharpest since last September and has now been recorded for 11 months in succession.

On the supply-side, average lead times again lengthened considerably, albeit at the weakest rate since last August. Firms again bemoaned difficulties in procuring inputs at a time of widespread product shortages, and ongoing challenges related to transportation services, especially sea freight.

Adding to pressure on vendors was continued strong demand for inputs. Purchasing activity rose sharply, albeit at the weakest rate for ten months, with firms indicating the need to build safety stocks and support current production requirements. There was a rise in inventories of purchases overall, as firms continued to add any products available to purchase to their stocks.

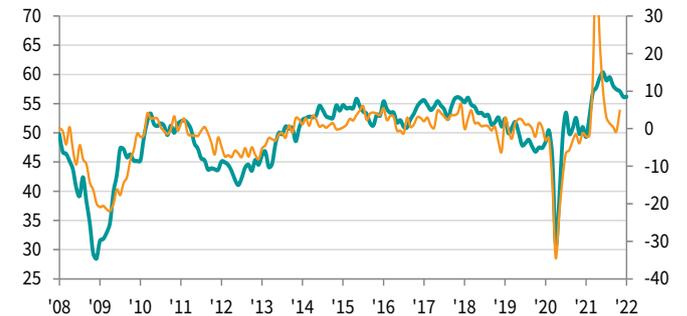
Finally, price pressures remained strong. Costs related to many raw materials, energy and freight services continued to rise. Although extremely high, input price inflation dropped to a five-month low. Nonetheless, output charges increased for a fourteenth successive survey period as firms sought to protect their margins. Moreover, the rate of increase was the sharpest recorded in the survey to date.

Output Index

sa, >50 = growth since previous month

Industrial Production

% yr/yr



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

December data were collected 12-24 January 2022.

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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