

News Release

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S&P Global Spain Manufacturing PMI[®]

Fall in new orders undermines growth during June

Key findings

Higher output but decline in sales signalled

Inflation rates trend downwards

Inventories of inputs continue to be built

Spain's manufacturing sector continued to expand during June, but at its slowest rate in nearly a year-and-a-half as manufacturing output growth slowed and order books fell slightly. Confidence about the future improved, however, which helped to explain some marginal employment gains.

Meanwhile, supply-side constraints persisted, albeit to a lesser degree than in recent months, whilst inflation remained high though maintained its recent downward trend. Inventory building of raw materials and semi-manufactured goods persisted at a strong pace.

The headline S&P Global Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – sank to a 17-month low in June, hitting a level of 52.6, down from 53.8. Although indicative of solid growth, the latest PMI reading pointed to a slowdown in the rate of expansion.

Weighing on the PMI during June was a weaker rise in production as firms reported a marginal drop in new orders since May. There were reports from the survey panel that the challenging economic environment was undermining demand, both at home and abroad (export sales were also modestly down). There were some reports that the war in Ukraine was adding to an uncertain and unstable market for goods.

Price rises were also reported to be weighing on demand. Elevated levels of inflation have been a notable feature of the PMI survey for over a year, and June's survey again revealed a considerable rise in both input costs and output charges. Firms indicated that energy remained a core feature of rising operating costs, although raw materials in general were again reported to be higher. Inevitably, firms felt little choice but to pass on their increased costs to clients in the form of higher prices.

That said, in both instances, rates of inflation were lower than seen recently (slowest for 15 months for inputs, weakest in

Spain Manufacturing PMI
sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 13-23 June 2022

Comment

Paul Smith, Economics Director at S&P Global Market Intelligence, said:

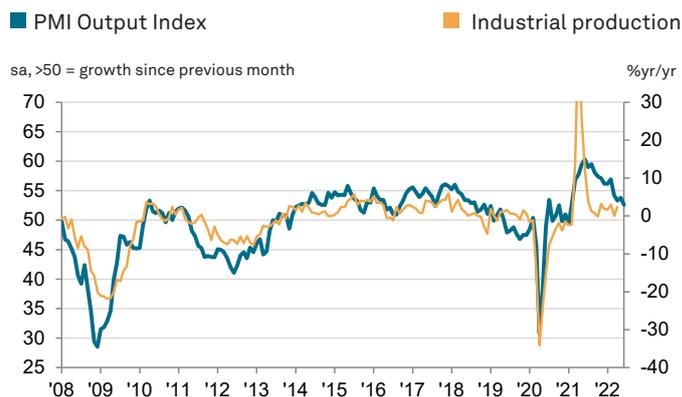
“Spain’s manufacturing sector experienced a slowdown in growth during June, with a drop in new orders the most notable feature of the latest survey. Whilst instability in Europe due to the ongoing war in Ukraine was a factor hurting demand, long-running inflationary pressures – which remain elevated – are also biting, weighing on sales and market activity.”

“The latest data will therefore add to very real concerns of stagflation, although perhaps those looking for some positivity in the numbers will highlight notable reductions in both input and output measures of price inflation since May (though both remain historically elevated). A less acute deterioration in vendor performance was also signalled, adding to hopes the supply-side constraints that have plagued the sector during the past couple of years are also easing.”

nine months for charges). Supply-side delays were similarly reported to have persisted, but to a less acute degree. There were reports that transportation challenges and the short supply of goods at vendors remained.

As part of ongoing efforts to circumvent rising prices and shortages of goods, firms subsequently continued to build up their stocks of inputs. Inventory growth was again marked, and only slightly down on May's survey record. However, in a sign that firms are perhaps looking to increasingly utilise inventories in production, purchasing activity was reduced for the first time in three months.

Supporting higher production in June was a modest increase in employment, and this helped firms to keep on top of workloads (backlogs of work declined for the first time in 17 months). Expectations also improved since May as manufacturers hope to benefit from higher sales in a post-pandemic environment. However, worries persist over the continuation of the current period of economic instability.



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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.