

News Release

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S&P Global Spain Manufacturing PMI[®]

Downturn in Spanish manufacturing economy gathers pace

Key findings

Output and new orders fall severely

Job shedding accelerates in response to drop in workloads

Confidence slumps to lowest level since May 2020

The Spanish manufacturing sector experienced a torrid month in October, with both output and new orders declining at rates not seen since the height of pandemic related lockdowns in the spring of 2020. Job shedding accelerated in response to the plunge in workloads, whilst confidence in the future slumped to a 29-month low.

Elevated price pressures remained a concern for many firms. Whilst there was some positive news on this front, as both costs and output charges rose at much slower rates in October, inflation levels remained elevated.

The headline S&P Global Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – posted 44.7 in October. Down sharply from 49.0 in September, the index recorded its lowest level since May 2020. Moreover, October marked the fourth straight month that the index has posted below the 50.0 no-change mark.

The deterioration in operating conditions was closely linked to severe and accelerated falls in both production and new orders. Output declined to the sharpest degree since May 2020 and for the third time in the past four months. The October fall in new orders was even greater, with the respective index also slumping to a 29-month low and to a level that was indicative of a considerable contraction in sales demand. Client uncertainty and hugely challenging market conditions characterised the slump in sales, just not at home but also abroad. New export orders fell for an eighth successive month and at a considerable pace.

Inflation was reported as a factor negatively impacting on market demand. Latest data showed that Spanish manufacturers again raised their own selling prices at a historically elevated rate, albeit to a much lesser degree than in September. Higher output charges again were closely linked to cost pressures at firms themselves. Although weakening to a 19-month low, a combination of high energy

Spain Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 11-24 October 2022

Comment

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

“Spain’s manufacturing economy suffered a dual collapse in both output and new orders during October, registering declines not seen since the pandemic-induced lockdowns of 2020 and, prior to that, the Eurozone debt crisis of 2012.

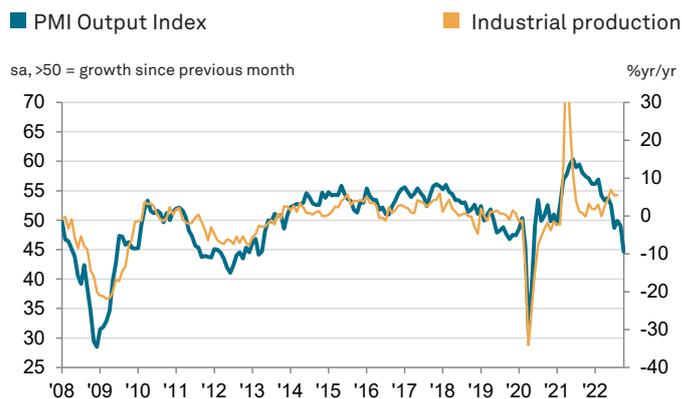
“This should highlight the severity of the challenges engulfing the sector as widespread economic uncertainty and the impacts of high inflation weigh heavily on demand and industry performance.

“Firms responded by cutting purchasing activity and jobs sharply, especially given no obvious current route of the crisis. Indeed, confidence about the outlook sank to a near two-and-a-half-year low in October amid expectations that high inflation and economic uncertainty will persist over the coming months.”

bills and rising raw material prices ensured that output prices rose sharply again. Stock shortages at suppliers and ongoing supply-stress were seen as broad inflationary drivers, with these factors encapsulated by latest data on delivery times which revealed another noticeable deterioration in vendor performance.

Given sharp falls in output and new orders, firms responded by signalling a considerable reduction in their purchasing activity. A fifth successive monthly fall was recorded by the survey data, as firms also sought to utilise stocks of purchases in output wherever possible. Overall, pre-production inventories declined to the sharpest degree since February 2021. Stocks of finished goods also fell sharply (at the greatest rate for 16 months).

Firms also chose to reduce their employment numbers, with October's survey showing a fourth successive monthly decline. Moreover, the rate of contraction was the quickest seen since June 2020. A combination of excess capacity and growing pessimism about the future were reported to have weighed on employment. Indeed, backlogs of work fell considerably (also to the greatest degree since mid-2020), whilst confidence in the future was at its lowest since May 2020. Firms widely reported that a high degree of economic and financial uncertainty, high inflation and poor demand prospects had undermined confidence.



Sources: S&P Global, INE.

Contact

Paul Smith
Economics Director
S&P Global Market Intelligence
T: +441491-461-038
paul.smith2@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

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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).

e-mail: info@aerce.org. website: www.aerce.org.

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.