

News Release

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S&P Global Spain Manufacturing PMI[®]

PMI improves during May on firmer output growth

Key findings

Production up despite lack of sales growth

Supply-side challenges and inflation persist

Record inventory building signalled

Spain's manufacturing economy experienced a slightly stronger rate of growth during May. However, although output continued to rise, new orders were unchanged and exports were slightly lower. Jobs continued to be created, albeit only slightly, whilst capacity challenges persisted amid ongoing supply-side delays.

Price pressures remained considerable, whilst expectations for output were somewhat muted by concerns over inflation and geopolitical uncertainty. Firms continued to build inventories in a bid to circumvent higher prices and material shortages.

The headline S&P Global Spain Manufacturing PMI[®] – a composite single-figure indicator of manufacturing performance – rose to 53.8 during May, compared to 53.3 in April. Posting above the 50.0 no-change mark, the rate of growth signalled by the index remained solid and extended the current run of expansion to 16 months.

However, latest data showed that order books failed to grow amid reports of sales flows being adversely impacted by high inflation. Export orders were slightly lower for similar reasons as, according to the latest data, manufacturers raised their prices for an eighteenth successive month. Charge inflation remained considerable, despite easing since April's series record and was again heavily linked to increased costs.

Indeed, input price inflation remained notable with prices for raw materials, energy and food all reported to have increased since the previous month. There were reports again that supply-side challenges remained an issue, and this was reflected in another considerable lengthening of lead times. Lockdowns in China due to COVID-19, the war in Ukraine and excess demand were all noted as factors leading to the latest deterioration in vendor performance (albeit the softest in 14 months).

These factors – inflation and supply-side delays – continued to encourage the stockpiling of inputs. Latest data showed

Spain Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-24 May 2022

Comment

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

“Although Spain’s manufacturing economy continued to grow in May, stagnant demand and ongoing severe inflationary pressures led to ongoing concerns about the underlying health of the sector.

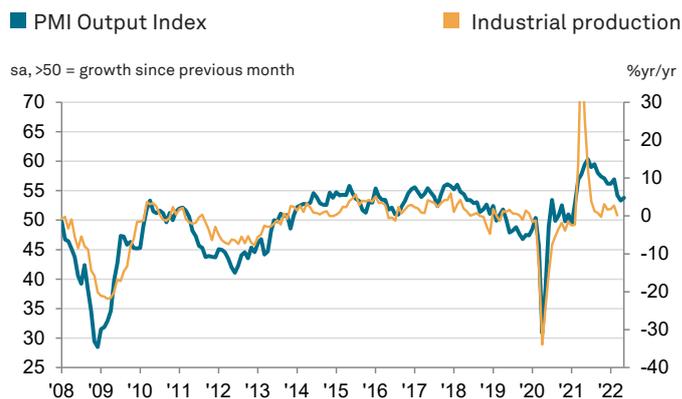
“Indeed, panellists reported little choice but to pass on their own escalating costs through a rise in factory gate prices, but this was having a detrimental impact on sales – and suggesting that the spectre of stagflation is indeed a real and growing threat to economic stability.

“That said, falls in the respective price indices since April and the lowest incidence of supply-side delays for 14 months raises some hope that the underlying situation is improving.”

that purchase inventories increased for a twelfth month in a row and at a survey record pace during May as manufacturers sought to circumvent material shortages on goods markets and build safety stocks. Purchasing activity was similarly reported to have increased, with growth here the best in three months.

The delivery of some previously ordered inputs was reported to have enabled firms to boost production in May. Output growth was solid, and this helped firms to broadly keep on top of workloads. Although backlogs continued to increase, extending the current run to 16 months, growth was only marginal. Employment also increased slightly, whilst logistical challenges led to a further build-up of warehouse inventories for a third month in succession.

Finally, confidence about the future remained positive, though worries over inflation and geopolitical uncertainties persisted. According to the latest data, confidence softened since April and was well below its historical trend.



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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.