News Release

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S&P Global Spain Manufacturing PMI®

Upturn in Spanish manufacturing sector strengthens amid fresh new order growth

Key findings

Upturns in output and employment sharpest in over a year

First improvement in lead times since November 2019

Average input costs fall for first time in 32 months

The upturn in Spain's manufacturing sector sharpened in March amid fresh new order growth and the strongest expansions in output and employment in over a year. Elsewhere, supplier performance improved for the first time since November 2019 while average input costs fell for the first time in 32 months. Subsequently, while charges continued to increase, the rate of selling price inflation was the softest in the current 28-month sequence.

The headline S&P Global Spain Manufacturing PMI® – a composite single-figure indicator of manufacturing performance – moved further above the 50.0 no-change mark that separates growth from contraction in March. Posting at 51.3, up from 50.7 in February, the latest reading was indicative of a back-to-back improvement in the health of the Spanish manufacturing sector that was the most pronounced since last June.

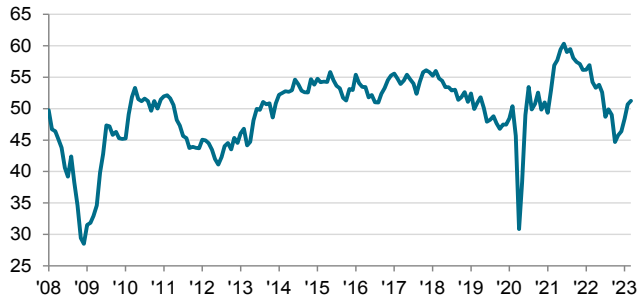
Central to the stronger headline reading was fresh growth in order book volumes held across the Spanish manufacturing sector in March. The uptick followed a nine-month sequence of decline and was often attributed to an improvement in underlying demand conditions. The same trend, however, was not exhibited in terms of foreign demand. In fact, new export orders declined for the thirteenth consecutive month and at a stronger rate than seen in the preceding month.

Meanwhile, largely a reflection of the improving picture for demand, Spanish manufacturing companies registered a further expansion in output levels in March. The latest round of growth was the second in as many months and the most pronounced in just over a year.

To accommodate increasing levels of production, firms looked to add to their workforce numbers at the end of the first quarter of 2023. Job creation has now occurred in each of the past two months with the latest round the sharpest in just over a year. Employment growth provided firms with sufficient capacity to focus on completing outstanding

Spain Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 10-24 March 2023

Comment

Laura Denman, Economist at S&P Global Market Intelligence, said:

"March's PMI survey provided a whole host of positive news with regards to the Spanish manufacturing sector. An improvement in Spain's domestic performance has been encouraging to see with the latest survey data indicative of the most pronounced growth in factory production in just over a year as well as a fresh uplift in order book volumes. However, perhaps the most pivotal findings within the latest survey came from the first improvement in vendor performance and the first fall in average operating expenses since November 2019 and July 2020, respectively. With global demand trends still relatively muted, we can expect to see some further alleviation in these pressures over the coming months.

"Elsewhere, some of the more forward-looking indicators have painted a bright picture for the sector's future. With panel members often predicting growth in both output and demand in the near future, companies added to their employment levels at the strongest pace in 13 months, displayed some relative signs of improvement in input buying and added to their pre-production inventories again."

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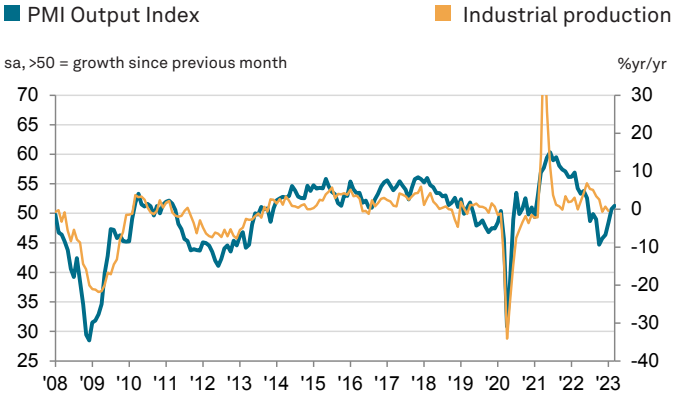
orders in March. That, said, given renewed growth of new orders, the extent to which firms were able to work through backlogged work was only marginal. The same was the case in terms of post-production inventories which firms were able to add to in March, but to a lesser extent than seen in February.

With new orders increasing, March was indicative of some relative improvement in purchasing activity as well as a sustained expansion in pre-production inventory levels. Input buying stabilised, thereby ending a nine-month sequence of decline, and stocks of purchases increased for the second month in a row.

On the supply-side, latest data showed an alleviation of pressures, as signalled by suppliers' delivery times improving for the first time since November 2019. In fact, the shortening in lead times was the most pronounced since August 2009. Subdued global demand was reportedly a pivotal factor helping to ease supply pressures.

Further positive news came from the first reduction in average operating expenses since July 2020. Moderations in raw material and energy prices were factors contributing to the fall. Charged prices, however, continued to increase in March as firms looked to pass through previous input cost increases to their clients. That said, the pace of output charge inflation was the slowest in the current 28-month sequence.

Finally, amid hopes for better market conditions, both domestically and internationally, business sentiment across the Spanish manufacturing sector remained upbeat, despite dipping from February's ten-month high.



Sources: S&P Global, INE.

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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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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.

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