News Release

Embargoed until 0915 CET (0815 UTC) 1 March 2023

S&P Global Spain Manufacturing PMI®

Spain's manufacturing sector expands for the first time since June last year

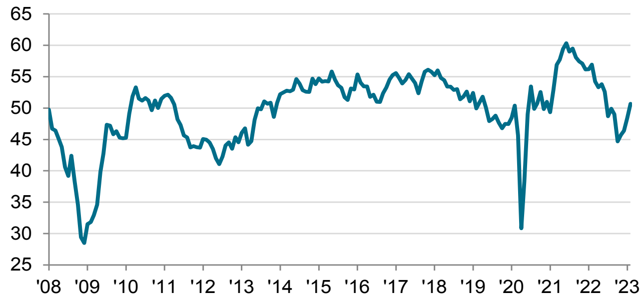
Key findings

Fresh growth in manufacturing output and employment

New order downturn weakens further

Rates of inflation re-accelerate on the month

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



Source: S&P Global.
Data were collected 10-21 February 2023

Spain's manufacturing sector crept back into expansion territory in February amid fresh upturns in production and employment. While still muted, there were some tentative signs of demand improvement, as signalled by the weakest decline in new orders since last June. Pressures on suppliers eased in February with lead times lengthening to the smallest extent since December 2019.

Pricing pressures, meanwhile, remained stubbornly high in February. In fact, rates of both input price and output charge inflation accelerated from the preceding month, with the latter climbing to a three-month high. Nevertheless, sentiment surrounding output over the coming 12 months was the strongest since last April.

The headline S&P Global Spain Manufacturing PMI® – a composite single-figure indicator of manufacturing performance – posted at 50.7 in February, up from 48.4 in January to signal the first improvement in the health of the Spanish manufacturing sector since last June.

With demand conditions still reportedly weak, Spanish goods producers registered a further contraction in order book volumes in February, the ninth in as many months. However, some firms did mention some tentative signs of demand recovery, as evidenced by the decline being the softest since last June. A similar picture was cast in terms of exports. February marked exactly one year of falling international demand, but also pointed to a fractional reduction which was the softest since last May.

The primary factor boosting overall sector performance was a fresh increase in Spanish factory production. The expansion was the first in six months, solid overall, and reportedly a result of the aforementioned relative improvement in demand conditions.

Spanish manufacturing companies added to their workforces for the first time since June last year. Notably, the rate of job creation was the fastest in almost a year. Panel members

Comment

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

"For the first time since June last year, the Spanish manufacturing sector saw operating conditions improve in February. The driving force behind renewed sector growth was a fresh and solid uplift in factory production. Panel members often owed the latest increase in output to a relative improvement in sales volumes. In fact, with new orders falling at the softest pace since last June, latest survey data displayed some tentative evidence of the aforementioned improvement in demand. Other positive aspects within February data came from the first round of job creation in eight months as well as the weakest lengthening in lead times since December 2019. With hopes for demand recovery and better market conditions widespread amongst panel members, firms remained upbeat about their future output and registered the strongest degree of confidence since April last year.

"More negatively, rates of both input cost and charged price inflation accelerated from the preceding month, with the latter strengthening to a three-month high. Despite the slight setback, some comfort can be offered in the fact that rates have remained significantly weaker than those recorded over much of the past two-and-a-half years. However, with demand looking like it may pick up in the near future, inflationary pressures are an aspect of the survey which should certainly remain under close observation."

PMI® by S&P Global

often linked the growth in headcount numbers to the greater need for workers as well as preparation efforts ahead of planned company expansions.

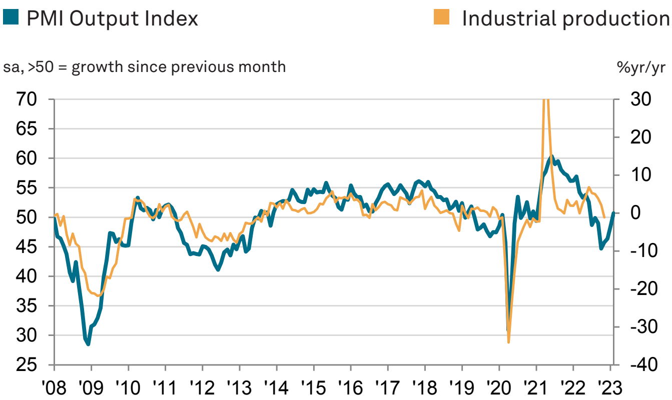
With a gap between output and demand evident in February, manufacturers were able to channel additional resources into working through outstanding business. Backlogs of work subsequently fell for the ninth consecutive month, albeit only marginally.

Firms, however, continued to trim back purchasing in line with weak demand trends. Input buying has now fallen for nine months in a row, though the latest reduction was the softest in the current sequence. Despite this, there was renewed growth in stock levels in February. Rates of pre- and -post inventory accumulation were the fastest in six and five months, respectively.

Other positive news came from an easing in supply chain pressures. Lead times lengthened only marginally and to the smallest extent since December 2019, when the current sequence of deterioration first began.

Inflationary pressures, however, remained stubborn in February. Despite remaining significantly softer than rates seen over much of the past two-and-a-half years, the paces of input cost and output charge inflation strengthened on the month. Higher raw material prices were reportedly a driving force behind the latest round of inflation.

In spite of this, firms remained upbeat about their forecasts for output over the coming year. Optimism primarily stemmed from hopes for demand recovery and better market conditions.



Sources: S&P Global, INE.

Contact

Laura Denman
Economist
S&P Global Market Intelligence
T: +44-134-432-7221
laura.denman@spglobal.com

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

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.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com.

About AERCE

AERCE is the Spanish Association of Purchasing and Supply Management. Founded in 1981 has 1,000 members, representing more than 10,000 related professionals, which include the most important companies in the country, institutions and professionals belonging to various industrial sectors, services and the public sector.

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.

PMI® by S&P Global

AERCE