

## Spain: manufacturing sector continued to contract in November

Spain's November manufacturing PMI remains deep in contraction territory. The only positive news is that the rate of deterioration has slowed slightly

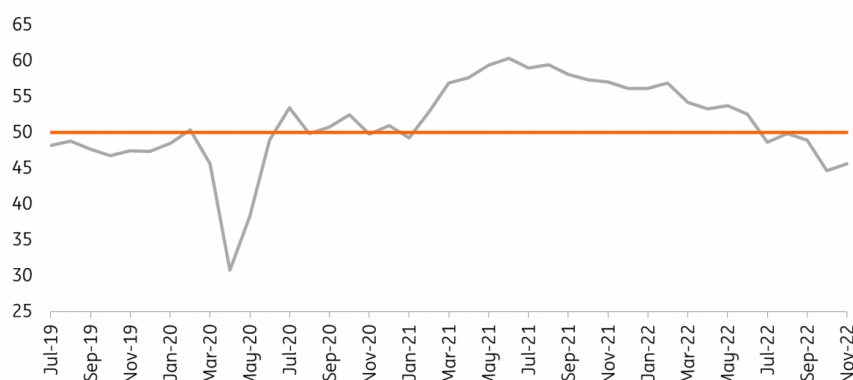


The manufacturing sector in Spain continues to contract

### Manufacturing sector shrinks for fifth month in a row

The manufacturing PMI slightly improved in November, standing at 45.7, up from 44.7 in October, but remains well below its neutral level of 50. Both current output and new orders fell sharply again. Although [inflation fell in November](#) for the fourth consecutive month, the current inflationary environment continues to put pressure on demand. The positive news is that the rise in input costs has been the slowest in two years. Price pressure higher up the production chain is starting to ease. Both commodity prices and freight costs for transport and factory prices are starting to fall sharply from their recent peak levels. Last Friday, Spain's statistics office INE announced that producer prices fell again in October. While producer price inflation was still 42.9% in August, it fell to 26.1% in October, its lowest level since September 2021.

## Spanish manufacturing PMI remains firmly in negative territory



Source: S&P Global

## Despite the recent fall, inflation continues to weigh on the outlook

After a sharp slowdown in Spanish economic growth in the third quarter, these figures confirm our belief that the Spanish economy will contract in the fourth quarter. Also, [consumer confidence](#), published yesterday, is still at a very low level, despite the slight improvement in November. The negative impact of inflation remains in place both for consumers and businesses and we suspect that the government measures will not be enough to prevent a GDP contraction in the fourth quarter of this year. Nevertheless, the slight improvement in figures shows that at least the situation is not deteriorating further. Thanks to the strong first half of the year, GDP growth will still come in at 4.3% in 2022, but for 2023 we expect the Spanish economy to grow by less than 1%.

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