

IHS Markit Spain Manufacturing PMI®

PMI returns to expansion territory in July

Key findings

Marked gains in output and new orders recorded

Upswing in demand as economy reopens further

Job cuts sustained as confidence remains subdued

Data were collected 13-24 July

Spain's manufacturing sector returned to growth during July as businesses continued to reopen following lockdown and firms benefited from an associated upswing in demand. Orders, purchasing and production were all reported to be up, with demand higher in both domestic and international markets.

However, less positive was further job losses as firms continue to operate well below capacity. Confidence about the future also remained subdued.

The IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – continued its recent ascent during July and returned to growth territory for the first time since February. After accounting for seasonal factors, the PMI recorded 53.5, up from June's 49.0 and its highest level since April 2018.

There were concurrent returns to growth in both output and new orders during July. In each case, gains were the first recorded by the survey since February and the best since early 2018. Panellists widely reported that the further reopening of the economy following lockdown had led to a further upswing in demand. Similar factors also helped to support a recovery in foreign sales. Latest data showed that new orders from abroad rose solidly and for the first time in over a year.

Manufacturers also chose to increase their purchasing activity, with solid growth a reflection of higher demand and production requirements. However, firms continued to face delays with delivery – average lead times lengthened for an eighth successive month – with firms noting ongoing transportation challenges for suppliers related to the coronavirus disease 2019 (COVID-19). To meet increased production requirements, Spanish manufacturers

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Spain Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Paul Smith, Economics Director at IHS Markit, said:

“Spain’s manufacturing sector finally returned to growth territory during July as the further re-opening of the economy helped to support an upswing in demand and drive higher orders from both domestic and international sources.

“However, there remains some way to go until we see a return to levels of activity recorded before the COVID-19 pandemic intensified, with the latest survey again showing falling backlogs of work and cuts to employment.

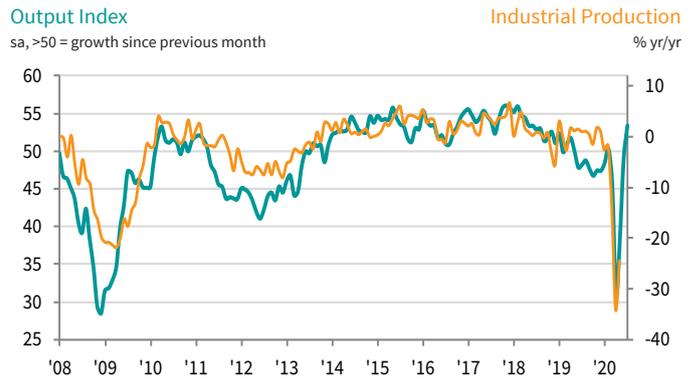
“Manufacturers are generally cautious in their view of how the rest of the year and the first half of 2021 will work out, with many expecting a steady recovery – but with notable downside risks given the clear potential for a resurgence in COVID-19 and the associated negative impact on overall economic activity.”

subsequently continued to run down their inventories of raw materials and semi-manufactured goods.

Despite the upswings in production and order books, firms continued to operate well below capacity. Backlogs of work declined for a fifth successive month, according to the latest survey data, and with overall workloads remaining low, job cuts were again recorded. Overall employment declined for a fifteenth successive month, with several companies expecting to experience excess capacity for the foreseeable future.

An uncertain outlook also weighed on the labour market. Despite confidence about the future remaining inside positive territory for the second successive month, sentiment is still well below trend. Whilst several firms are expecting the recovery to be sustained over the coming year, others remain concerned about a re-emergence of COVID-19 and the possibility of continued weakness in demand and economic activity.

Finally, on the price front, manufacturing input costs continued to fall during July. Firms reported that still weak underlying global demand was weighing on raw material prices, although the overall degree of deflation was the softest recorded by the survey in nearly a year. Competitive pressures and ongoing weakness in overall order books meant manufacturers continued to offer discounts. Latest data showed an eleventh successive monthly fall in output charges.



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Survey methodology

The IHS Markit Spain Manufacturing PMI® is compiled by IHS Markit 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.

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.

Survey dates and history

July data were collected 13-24 July 2020.

Survey data were first collected February 1998.

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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.

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