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IHS MARKIT SPAIN MANUFACTURING PMI®

Manufacturing production contracts at unprecedented rate in April

KEY FINDINGS

Record contractions in output, new orders and purchasing

Severe job cuts signalled as confidence sinks to series low

Prices enter marked deflationary territory

April 2020 data were collected 7-23 April 2020.

Spain's manufacturing sector experienced a considerable deterioration in operating conditions during April as the global coronavirus disease 2019 (COVID-19) pandemic, and associated measures to contain its spread, weighed on demand and activity. Survey record falls in output, new orders, export trade and purchasing were all reported. Employment fell at a pace only surpassed at the height of the financial crisis, whilst confidence about the future sank to a new series low.

April's IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – sank to a level of 30.8, from March's 45.7, to indicate a second consecutive monthly deterioration in operating conditions. Moreover, falling further below the 50.0 no-change mark the index signalled a rate of contraction that was considerable and the sharpest since December 2008.

Panel firms reported that the COVID-19 pandemic, which has led to considerable restrictions in non-essential economic activities in Spain and around the globe, inevitably led to contractions in production, new orders and exports during April. Moreover, the falls in each of these variables were the sharpest ever recorded (data were first collected during February 1998).

Market group data showed that all three sectors covered by the survey suffered considerable deteriorations in operating conditions. For consumer and intermediate goods, respective PMIs hit levels only surpassed during the financial crisis, whilst the PMI for investment goods producers sank to a new survey low.

Given the widespread lockdown and general pause of

Manufacturing PMI
sa, >50 = improvement since previous month



economic activity, manufacturers reduced their purchasing activity at a survey record pace in April. Inventories were also cut back sharply as any orders to suppliers tended to suffer from considerable delays. Latest data showed an unprecedented deterioration in vendor performance amid reports that suppliers were either closed or were facing challenges related to sourcing inputs and transportation.

Job losses were considerable during April as firms responded to the hugely challenging business environment by cutting staffing levels. The magnitude of the fall in employment was surpassed only by December 2008 (during the global financial crisis) with lower employment in part driven by a high level of pessimism about the future. Confidence regarding the coming 12 months was comfortably the lowest recorded by the survey-to-date as firms signalled notable worries about the longer-term impact on demand and economic activity of the COVID-19 pandemic.

Finally, deflationary pressures were apparent during April, with firms signalling concurrent falls in both input prices and output charges. The decline in input costs was marked and the greatest in over four years amid reports of lower prices for metals and oil-related products. Output price deflation was the sharpest recorded by the survey in nearly 11 years.

COMMENT

Commenting on the PMI data, Paul Smith, Economics Director at IHS Markit said:

“Although perhaps unsurprising given the restrictions in place related to non-essential economic activities, the latest PMI data for Spain’s manufacturing sector nonetheless laid bare the scale of the economic fallout for goods producers from the COVID-19 pandemic.

“Records were broken across a number of data points – output, new orders, export trade and purchasing tumbled at unprecedented rates for instance – but perhaps most worrying are developments in confidence and employment.

“Job losses occurred at a rate surpassed only during the heights of the financial crisis as firms signalled notable worries about the longer-term impact of the pandemic on demand. This leads to concerns that when the recovery out of the lockdown begins it may prove to be much more arduous than the hoped-for swift return to pre-crisis activity levels.”

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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.

April 2020 data were collected 07-23 April 2020.

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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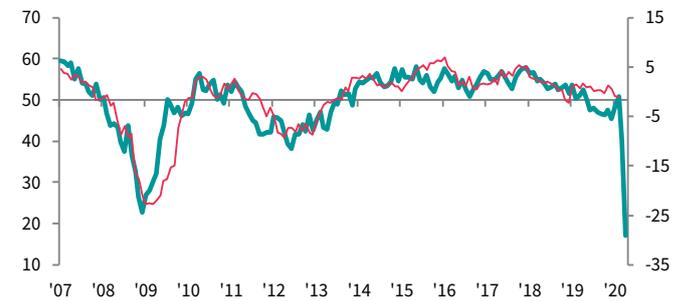
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Output Index

sa, >50 = growth since previous month

Manufacturing production

sa, %yr/yr, 3mma



Source: IHS Markit, INE.

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AERCE is a member of the International Federation of Purchasing and Supply Management (IFPSM).

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