News Release

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IHS MARKIT SPAIN SERVICES PMI®
INCLUDING IHS MARKIT SPAIN COMPOSITE PMI®

Sharper fall in activity recorded

KEY FINDINGS

Restrictions related to COVID-19 weigh on sector performance

Job losses continue

…but confidence about the future improves

November 2020 data were collected 12-25 November 2020.

Activity in Spain’s services economy suffered a further contraction during November as restrictions related to the global coronavirus disease 2019 (COVID-19) pandemic had a detrimental impact on consumer mobility and demand. A steep reduction in new business led to another round of job losses as companies were able to comfortably keep on top of workloads.

However, on a more positive note, recent news on vaccine development led to a jump in business confidence. Latest data showed that optimism was at its highest level in 20 months.

The headline Business Activity Index, which is based on a single question asking firms to comment on developments in their activity since the previous month, declined to a level of 39.5 in November. Falling from 41.4 in October, the rate of contraction was the sharpest recorded by the survey since May.

Once again, the decline in activity was closely linked to deteriorating levels of incoming new business. Restrictions on consumer mobility related to COVID-19 were widely reported to have impacted on demand, especially in those sectors related to hospitality. A lack of tourism was also reported to have weighed on new work. Latest data showed that new export business declined for a nineteenth successive month and, although the slowest since July, the rate of contraction was again severe.

Unsurprisingly, given the lack of incoming new business, companies were able to comfortably keep on top of workloads – as evidenced by another notable fall in backlogs of unfinished business. Work outstanding has now fallen for nine months in a row, and excess capacity ensured that firms continued to cut staffing levels at their units. The rate of contraction in employment was the sharpest recorded by the survey since June.

Despite the fall in staffing levels – and evidence of some workers being placed on furlough – panellists still reported higher personnel costs. With prices for energy/fuel at some companies also said to be up, plus increased costs related to dealing with COVID-19, another rise in overall input prices was recorded.

With a lack of market activity and ongoing competitive pressures, companies continued to cut their output charges during the latest survey period. November marked a ninth successive month that average output charges have fallen, although the rate of deflation was the lowest recorded since June.

Finally, there were some positive developments with regards to business confidence. With over 50% of the survey panel forecasting an increase in activity over the coming 12 months, optimism improved to its highest since March 2019. The upturn in sentiment was linked in the main to hopes that the recent developments in COVID-19 vaccines will help to support and drive a strong economic recovery next year.
Driven lower by a severe contraction of activity in services, and a marginal fall in manufacturing output, overall private sector output in Spain declined considerably during November. After accounting for seasonal factors, the Composite Output Index* fell to a level of 41.7, down from 44.1 in the previous month. Posting well below the 50.0 no-change mark, the rate of contraction signalled by the index was the sharpest since May.

Job losses also mounted, with the net fall in private sector workforce numbers the sharpest since June. Sequential job losses have now been recorded since March.

However, looking ahead to the coming 12 months, business confidence improved to its highest level since March 2019 as hopes mounted that by this time next year a strong economic recovery will be under way.

*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Spain Composite Output Index is a weighted average of the Spain Manufacturing Output Index and the Spain Services Business Activity Index.
Methodology

The IHS Markit Spain Services PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 350 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. 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 Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the ‘Services PMI’ but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the ‘Composite PMI’ but is not comparable with the headline manufacturing PMI figure.

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.

November 2020 data were collected 12-25 November 2020.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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AERCE is the Spanish Association of Purchasing and Supply Management. Founded in 1981, it 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).

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.