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IHS MARKIT SPAIN MANUFACTURING PMI®

Spain's manufacturing sector remains in deep downturn during May

KEY FINDINGS

Output, new orders and exports all fall at slower rates

Job cuts remain considerable as confidence remains negative

Fastest fall in input prices since July 2009

May 2020 data were collected 12-21 May 2020

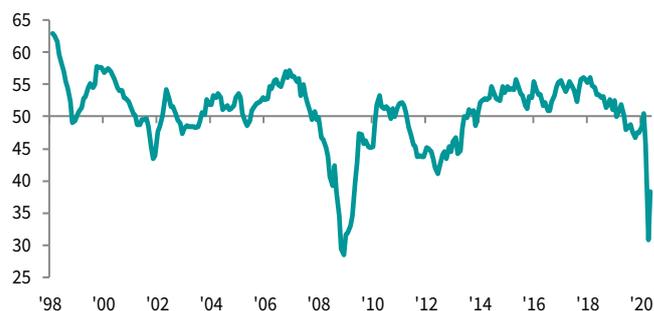
Spain's manufacturing economy remained deep inside contraction territory during May. Although rates of decline in output, new orders, exports and purchasing all eased on April's series records, ongoing restrictions on economic activity related to the global coronavirus disease 2019 (COVID-19) continued to weigh on sector performance.

After accounting for seasonal factors, the IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – registered 38.3 in May. That was up from April's reading of 30.8, but nonetheless continued to signal a considerable deterioration in the health of the manufacturing economy. Moreover, May data marked the third successive month that the PMI has posted below the 50.0 no-change mark.

The COVID-19 pandemic was again a dominant theme within the anecdotal evidence provided by panellists when explaining trends in variables such as output and orders. Although lockdown constraints have been loosened compared to April, they continued to place considerable limits on productive capabilities and demand. May's survey showed that output and new work were subsequently down compared to April, albeit at noticeably slower rates than April's survey records. Foreign demand also continued to deteriorate, although again not to the same degree as the previous survey period.

May's data signalled another sharp fall in employment. Staffing levels have now been reduced for 13 months in succession and, whilst not as severe as April, the latest contraction was again considerable. Dwindling overall workloads – firms signalled another substantial reduction in backlogs of work – were reported in many cases to have led

Manufacturing PMI
sa, >50 = improvement since previous month



to layoffs or the non-renewal of contracts. That was despite suggestions that plants were operating well below capacity.

Pessimism about the future also remained apparent, despite easing noticeably since April's survey record. Firms remained worried about the longer-term impact on revenues, incomes and demand of the COVID-19 pandemic.

Supply-side constraints were again apparent in May as vendors, faced with staff shortages and challenges in distribution and transport, struggled to satisfy orders. Lead times for the delivery of inputs deteriorated at the second sharpest rate in the survey history during May.

Despite facing challenges in securing inputs, a general lack of demand for new goods – purchasing activity again fell sharply according to the May survey – and the utilisation of existing stocks by firms meant that prices for inputs fell to the greatest degree for nearly 11 years during May. The prices of items related to oil were also reported to be markedly lower.

Many companies, facing pressure from clients to offer discounts to secure orders, chose to reduce their own charges in May, with the rate of deflation the second greatest since mid-2009.

COMMENT

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

“Spain’s manufacturing sector remained mired in a deep downturn during May as the difficulties related to the COVID-19 pandemic continued to weigh on goods producers.

“Whilst there were reports of factories coming back online in response to the slight easing of lockdown restrictions, low demand, constraints on economic activity and difficulties in sourcing inputs inevitably weighed on production.

“Indeed, anecdotal evidence pointed to plants operating at well below capacity with firms easily able to cope with current workloads and subsequently in many instances looking to reduce staffing numbers.

“Such decisions were in part driven by ongoing pessimism about the future, with sentiment remaining deep inside negative territory as worries persist about the longer-term impacts of the pandemic on incomes and consumption.”

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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.

May 2020 data were collected 12- 21 May 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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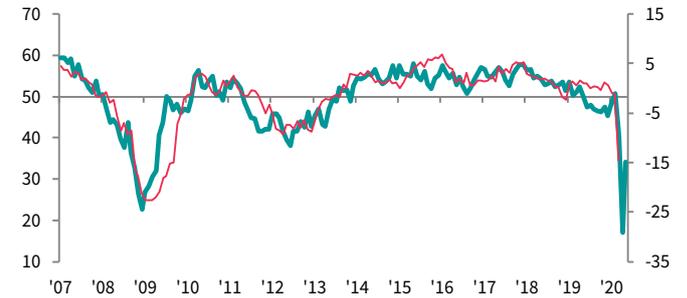
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Output Index

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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