

EMBARGOED UNTIL: 00:01 (UTC) July 13th 2020

IHS Markit Spain Business Outlook

Sentiment remains subdued as COVID-19 weighs on Spanish business

Key findings:

- Confidence little changed as firms anticipate sluggish recovery from COVID-19
- Jobs and investment set to fall
- Profitability under notable downward pressure

Data collected June 12-25

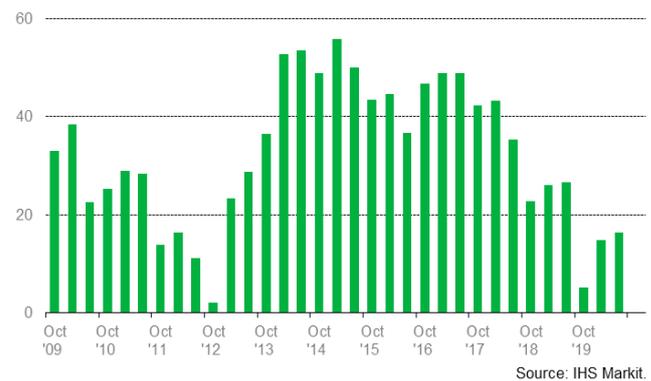
Business confidence amongst Spanish service providers remained historically subdued during June as worries over the strength of the recovery from the coronavirus disease 2019 (COVID-19) pandemic weighed heavily on expectations for activity. Employment and investment plans are anticipated to be reduced in response, whilst corporate profitability will come under severe pressure over the next year.

June's IHS Markit Business Outlook survey signalled little change in confidence with regards future activity, with a net balance of +16% of companies forecasting an increase from present levels over the coming 12 months. That was broadly unmoved from the previous quarter's +15% and amongst the lowest in the survey history. The net balance was broadly in line with the euro area and global averages (+15%).

Sectoral data indicated some divergence in confidence. Manufacturers were the least optimistic, with confidence here dropping to its second lowest since the global financial crisis (down to +13%, from +18% and surpassed only by last October's -1%). For services, confidence strengthened to +17%, from +14% and the highest in a year.

There were worries across both sectors regarding the evolution of the recovery from the sharp drop in output caused by COVID-19. Whilst several companies are optimistic activity will rise over the next year, a notable number expect activity only to get back to pre-COVID levels at best, with many forecasting slow growth.

Spain business activity expectations



Indeed, many firms are worried about the impact on activity from a challenging macroeconomic environment, with unemployment expected to remain high, consumption growth sluggish and previously planned private sector investment across Spain's economy to remain on hold.

Employment & Investment Plans

Such concerns regarding the economic recovery for demand and activity, both at home and globally, weighed on the employment and investment plans of Spanish private sector companies.

On staffing, a net balance of companies is expecting to lower employment at their plants and units over the coming 12 months. At -9%, the latest net balance for employment was the lowest recorded since February 2013. Manufacturers were more negative about the outlook for employment than service providers.

Capital investment plans were also in negative territory in June as companies mothballed previously expected projects until greater clarity about the post COVID-19 recovery was available to them. The net balance for capital expenditure was, at -10%, the lowest for over seven years. Manufacturers were at their most pessimistic in 14 years of data collection.

Inflation Expectations

Inflation expectations were historically subdued in June. On the cost front, staffing costs are anticipated to rise only slightly (net balance: +4%) as firms limit earnings growth and benefit from the cost savings of employing fewer staff. Non-staff costs are expected to be little changed (+2%), with manufacturers at their most negative since early 2009 (-19%).

Firms are widely worried that the weak demand environment and a sluggish recovery from the COVID-19 pandemic will place considerable downward pressure on their own prices. A net balance of -16% for output price expectations is the lowest in nearly eight years. Manufacturers were at their most negative since the global financial crisis (-13%), but it was service providers that anticipate the larger fall (-16%).

Corporate Earnings

The expected decline in output prices, combined with the uncertain outlook for activity and future demand, is widely forecast to have a negative impact on company profitability over the coming year. The respective net balance for profitability dropped in June to its lowest level since late 2012 (-12%).

Firms reported that such will be the pressure on company finances that many competitors could cease trading. Manufacturers, with a net balance of -14% were at their most negative in over 11 years, and more so than service providers (-11%) in June.

Comment:

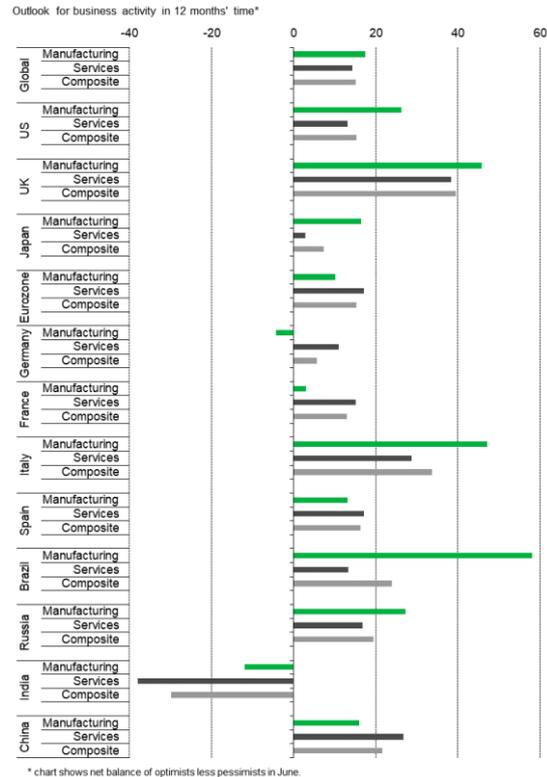
Commenting on the Spain Business Outlook survey, **Paul Smith**, Economics Director at IHS Markit, said:

“June’s survey indicated the considerable challenges faced by Spain’s private sector as it struggles to recover from the extreme drop in economic output. Whilst activity is forecast to grow, the recovery will be sluggish amid worries over the wider impact of COVID-19 on the macroeconomy. With profitability set to come under extreme pressure, companies are firmly in retrenchment mode, with employment and investment plans set to be cut further in the next year.”

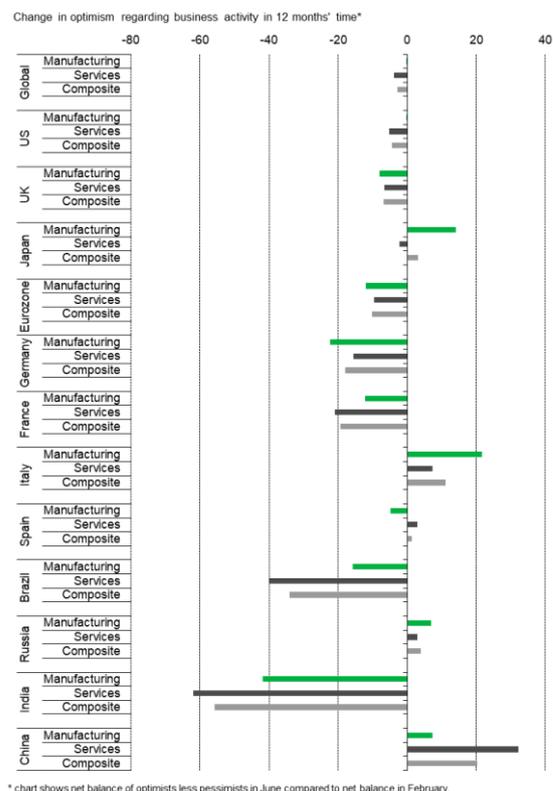
-Ends-

Full data available on request from
economics@ihsmarkit.com

Business optimism in June



How business activity expectations have changed since February



For further information, please contact:**IHS Markit**

Paul Smith, Economics Director
Telephone +44-1491-461-038
Email paul.smith@ihsmarkit.com

Katherine Smith, Public Relations
Telephone +1 781 301 9311
Email katherine.smith@ihsmarkit.com

Notes to Editors:

The Global Business Outlook Survey for worldwide manufacturing and services is produced by IHS Markit and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October. The latest survey was conducted between February 12 and 27.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that IHS Markit operates. This methodology seeks to ensure harmonization of data and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, fax, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0 signalling a neutral outlook for the coming 12 months. Values above 0 indicate optimism amongst companies regarding the outlook for the coming 12 months while values below 0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy in the countries mentioned above. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 7,000 firms.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

The intellectual property rights to the Business Outlook survey provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trademarks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trade mark of IHS Markit Ltd. and/or its affiliates.

If you prefer not to receive news releases from IHS Markit, please email andrew.harker@ihsmarkit.com. To read our privacy policy, [click here](#).