

IHS Markit Spain Manufacturing PMI®

Manufacturing economy moves closer to stabilisation in June

Key findings

Output and new orders fall at noticeably slower rates

Deflationary pressures persist

Easing of lockdown measures bolsters confidence

Data were collected 12-23 June

Spain's manufacturers continued to face a challenging operating environment during June as the effects of the coronavirus disease 2019 (COVID-19) pandemic weighed on demand and productive capabilities. However, there were some positive signs for the sector as rates of decline continued to weaken considerably and confidence returned to positive territory for the first time since February.

The IHS Markit Spain Manufacturing PMI – a composite single-figure indicator of manufacturing performance – maintained its recent upward trend during June, reaching a level of 49.0, from 38.3 in May. Whilst below the 50.0 no-change mark for a fourth successive month, the latest reading was the best since February and continued the strong gains in the index since April's nadir of 30.8.

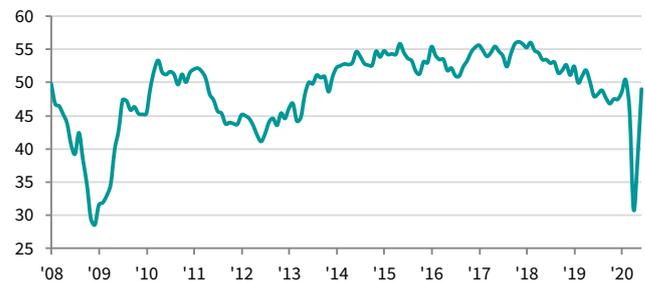
Both production and new orders continued to fall in June, albeit at much slower rates. Whilst there were reports that the easing of lockdown measures had continued to support the reopening of facilities and wider economic activity, many panellists reported that COVID-19 had continued to weigh on demand from both domestic and international sources. As with total new orders, latest data showed that new orders from abroad declined again, but relatively modestly.

There were several indications that plants were not operating at full capacity and choosing to limit working hours given the still weak trend in demand. This had a knock-on effect for employment, which was cut at a rate that remained amongst the sharpest seen since the height of the global financial crisis in 2009. Capacity was nonetheless sufficiently high to deal with current workloads as evidenced by another drop in work outstanding.

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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 economy moved closer to stabilisation during June as economic activity showed signs of picking up in line with a loosening of COVID-19 restrictions.

“However, evidence from the latest report again highlights the challenges ahead for the sector to recover lost ground. Production plants continue to operate well below capacity, with reports from manufacturers of reduced working hours in place as incoming new workflows remain weak. Manufacturers subsequently cut their staffing levels markedly again.

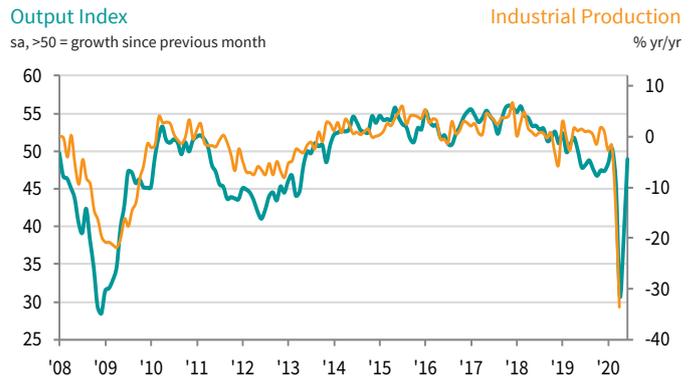
“Nonetheless, confidence has shown some improvement, returning to positive territory as hopes build that the recovery from the pandemic is underway.”

Production was also hampered by ongoing delays in the supply of raw materials and semi-manufactured goods. Average lead times for input delivery lengthened for a seventh successive month and again at a historically sharp rate. Transportation difficulties, stock shortages and signs of a pick-up in global demand all weighed on vendor performance.

Spanish manufacturers also indicated a desire to utilise existing stocks wherever possible to meet production requirements or satisfy orders. This led to reductions in both inventories of inputs and finished goods as firms looked to free-up working capital.

Price pressures remained in little evidence during June as input costs fell for a thirteenth successive month, driven lower by reduced fuel prices and declining transportation expenses. Supplier discounts were also mentioned as vendors sought to bolster sales. For similar reasons, manufacturers reduced their own charges sharply, and for a tenth month in succession.

Finally, confidence about the future strengthened and returned to positive territory during June. Over a third of the survey panel registered positive expectations as hopes build that the continued easing of lockdown measures and reopening of businesses will lead to an increase in demand during the coming months.



Sources: IHS Markit, INE.

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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

Data were collected 12-23 June.

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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