Spain services PMI in freefall to 7.1

Everybody expected activity to spiral downwards in Spain but to actually see a PMI figure as low as 7.1 is still pretty unbelievable

A view of the completely empty CV-35 road in Valencia, eastern Spain, 19 March, 2020

Source: Shutterstock

It is no surprise that the service sector came to an almost standstill in April in Spain, but to actually see a PMI figure as low as 7.1 is still quite shocking.

Activity dropped to a record low, from the already abysmal levels of 23 in March. Businesses are also concerned about the coming months, with more than two-thirds reporting negative expectations about activity over the next 12 months.

> *Like the manufacturing sector, there are also deflationary pressures in the service sector*

The current situation coupled with the pessimism about the months ahead has led to mass layoffs. Even though some companies have placed workers on furlough, many reported redundancies. The survey shows that the net fall in staffing levels was the worst in more than 20 years and considerably worse than during the financial crisis.

Like the manufacturing sector, there are also deflationary pressures in the service sector. Operating costs came down due to redundancies or due to workers being furloughed, and in some cases due to cheaper oil-related goods and services. This allowed companies to give discounts. Indeed, output charges declined at the sharpest rate ever recorded.

State of alert to be extended

Meanwhile, there is an important political event today as parliament votes to extend the so-called 'state-of-alert'.

Earlier there was some doubt as the PP said it did not agree with the extension, but now Ciudadanos promised to vote in favour and so it is likely that the state of emergency will be extended.