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IHS MARKIT GREECE MANUFACTURING PMI®

May data signals further substantial declines in output and demand

KEY FINDINGS

Production and new orders fall at marked rates

Employment contracts amid greater spare capacity

Fastest decline in input costs for over four years

May 2020 data were collected 12-21 May 2020.

The latest PMI® survey data indicated a further marked contraction in Greek manufacturing production as the economy began to reopen following the loosening of lockdowns amid the coronavirus disease 2019 (COVID-19) pandemic. The drop in output was largely driven by weak demand conditions, as clients continued to cancel and postpone new orders. Foreign client demand also fell amid ongoing lockdowns in key export markets. Subsequently, workforce numbers fell markedly as excess capacity increased and pessimism was sustained.

On the price front, cost burdens fell further amid lower demand for inputs. Meanwhile, firms reduced output charges at a steep rate.

The seasonally adjusted IHS Markit Greece Manufacturing Purchasing Managers' Index® (PMI®) – a composite indicator designed to measure the performance of the manufacturing economy – posted 41.1 midway through the second quarter. Although up from 29.5 in April, the latest figure signalled the second-sharpest deterioration in Greek manufacturing operating conditions since August 2015.

The softer overall decline was partly linked to a slower decrease in production. That said, the rate of contraction was among the strongest since the depths of the credit crisis in 2015. The downturn was commonly attributed to difficulties returning to work and a sustained drop in client demand.

Weak demand led to a steep fall in new order volumes in May. Although the rate of decline softened from April's record-breaking decrease, it was nevertheless among the

Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit

sharpest since mid-2015 as firms struggled to revive sales. Alongside challenging domestic demand conditions, firms registered a further downturn in new export orders amid ongoing lockdowns in key export markets.

Reflecting lower new orders, Greek goods producers registered a marked fall in employment in May. Despite some firms reporting the use of furlough schemes to retain workers amid lower production requirements, many stated that excess capacity had driven lower staffing levels. At the same time, backlogs of work decreased at a sharp pace.

Also behind the downturn in employment was sustained pessimism among manufacturers. Expectations of a prolonged recovery and difficulties accessing credit during the pandemic weighed on confidence.

Meanwhile, input costs fell for the second month running in May, as demand for inputs decreased following lower new order inflows. The decrease was the sharpest since February 2016 and strong overall. Firms also reduced their output charges at the second-fastest pace for seven years amid efforts to boost sales.

Virus-related logistical issues and delays at borders resulted in a further deterioration in vendor performance. Meanwhile, firms reduced their buying activity markedly, with some stating purchasing had dropped to the minimum for fulfilling orders.

COMMENT

Siân Jones, Economist at IHS Markit, which compiles the Greece Manufacturing PMI survey, commented:

"The impact of the COVID-19 outbreak and associated lockdowns continued to weigh on the performance of the Greek manufacturing sector in May, with further severe declines in output and new orders. Although the economy began to slowly reopen, difficulties returning to work and lacklustre demand dragged on total sales. Foreign demand was heavily dampened by ongoing lockdowns in key export markets.

"Fears of a prolonged recovery and challenges accessing credit featured heavily in the reasons for pessimism among manufacturers, as expectations of lower production over the next year also partially drove workforce numbers down. Excess capacity and reduced order inflows led to one of the fastest falls in employment since the credit crisis in 2015.

"Our latest forecast for industrial production signals a marked contraction in the second quarter, with 2020 also set to see a year-on-year decrease of 7.8% in output. Although production is expected to increase in the latter stages of the year, the strong influence of tourism of the Greek economy will inevitably filter across to all sectors as domestic demand remains weak."

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Methodology

The IHS Markit Greece Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 300 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.

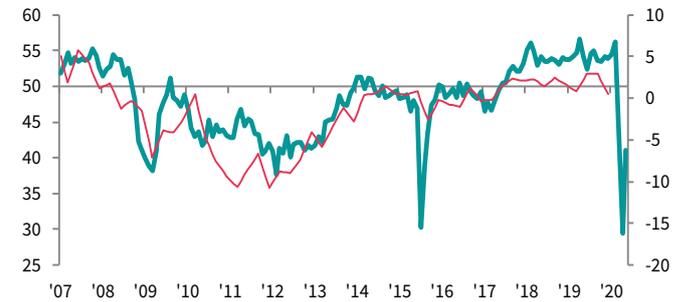
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PMI

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Source: IHS Markit, National Statistical Service of Greece.