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IHS MARKIT GREECE MANUFACTURING PMI®

PMI signals strongest overall improvement since August

KEY FINDINGS

Faster upturns in output and new business

Employment growth quickest in series history

Cost pressures intensify

January PMI® survey data indicated a further and stronger improvement in operating conditions across the Greek manufacturing sector. Overall growth was driven by quicker expansions in production and new orders. At the same time, new business from abroad rose at the strongest rate since last April. In turn, manufacturers increased their workforce numbers at the sharpest pace since data collection began in May 1999, with backlogs of work declining only fractionally.

Meanwhile, cost pressures rose at a marked pace that was the fastest since March 2019. Output charges, however, were broadly unchanged from those seen in December.

The seasonally adjusted IHS Markit Greece Manufacturing Purchasing Managers' Index® (PMI®) – a composite indicator designed to measure the performance of the manufacturing economy – posted 54.4 in January, up from 53.9 in December. The latest headline figure signalled the fastest overall improvement in the health of the Greek manufacturing sector since August 2019, and a solid start to 2020.

A key driving factor behind the overall expansion was a strong and faster upturn in production. The rate of increase accelerated from that seen in December and was reportedly linked to greater client demand and the acquisition of new customers. The pace of growth was also in line with that seen in January 2019.

Concurrently, manufacturing firms registered a sharper rise in new business gains at the start of 2020. The strong increase reportedly stemmed from greater interest from foreign clients and a rise in customer numbers. External

Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit

demand also picked up, with new export orders growing at the quickest rate since last April. Panellists also stated that an increase in returning foreign customers had boosted export sales.

Subsequently, firms expanded their workforce numbers at a strong rate in January. The pace of employment growth quickened to the sharpest in the series history (since May 1999), amid greater production requirements and investment. At the same time, pressure on capacity continued to decrease, as backlogs of work fell for the twelfth successive month. That said, the reduction in outstanding business was only fractional overall.

Meanwhile, cost pressures intensified as the rate of input price inflation accelerated. Greater cost burdens were commonly linked to supplier price hikes and increased freight charges. The pace of inflation was broadly in line with the long-run series trend. Factory-gate charges, on the other hand, were broadly unchanged as firms sought to remain competitive despite greater pressure on margins.

Nonetheless, purchasing activity rose as firms increased their efforts to stockpile raw materials and semi-finished items.

Stronger new order growth and hopes of greater investment, in part, led to output expectations for the coming year rising to the highest since data collection began in July 2012.

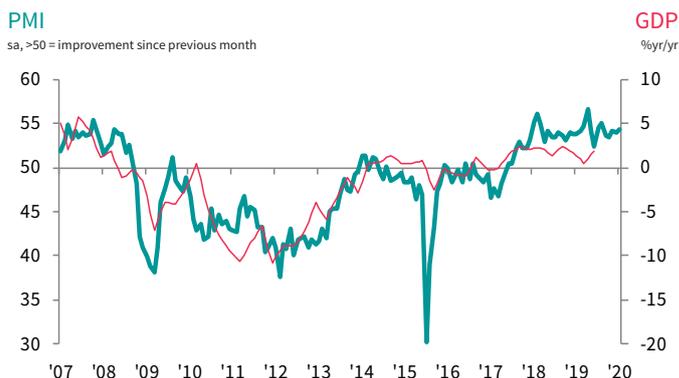
COMMENT

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

"Greek manufacturers signalled a strong start to 2020, with growth in production and new business picking up. Domestic and foreign demand remained robust and drove the latest expansion."

"In turn, goods producers ramped up their hiring activity, with employment rising at the fastest pace since data collection began in May 1999. January's solid improvement in operating conditions translated into stronger business confidence, with expectations reaching the highest since data collection began in July 2012."

"Sharp and quicker rises in input prices placed pressure on margins in January. Despite this, efforts to stay competitive meant output charges were broadly unchanged."



Source: IHS Markit, National Statistical Service of Greece.

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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.

January 2020 data were collected 13-24 January 2020.

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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. To learn more go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).