

IHS Markit Greece Manufacturing PMI®

Marginal deterioration in operating conditions amid slower fall in new orders

Key findings

Rates of contraction in output and new orders ease

First expansion in workforce numbers since February

Business confidence ticks up to six-month high

Data were collected 12-21 August 2020.

The latest PMI® survey data indicated a further, albeit slight, deterioration in operating conditions across the Greek manufacturing sector. The slower overall decline largely stemmed from softer contractions in output and new orders, as well as a return to growth of employment amid a pick-up in business confidence to a six-month high. Nonetheless, new business fell at a solid rate amid historically weak client demand following the coronavirus disease 2019 (COVID-19) pandemic's outbreak.

Meanwhile, cost pressures grew, with input prices rising at the sharpest rate for seven months. Output charges continued to decline, however.

The headline IHS Markit Greece Manufacturing PMI® is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector.

The headline PMI posted 49.4 in August, up slightly from 48.6 at the beginning of the third quarter, to signal a fractional decline in the health of the Greek manufacturing sector. Although continuing to indicate a marked turnaround from the strong expansions seen at the start of the year, the rate of contraction was the joint-slowest in the current sequence of deterioration.

The decline in production eased in August and was only fractional overall. Nonetheless, firms stated that lower output

continued...

Greece Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Siân Jones, Economist at IHS Markit, said:

"The Greek manufacturing sector continued to slowly climb towards a recovery, following the knock to demand conditions seen in July. There were signs of progression, however, as firms increased their employment for the first time since February. Nonetheless, a challenging tourist season and COVID-19 restrictions continued to reportedly weigh on both production and new sales.

"Although confident of a rise in output over the coming year, firms discounted their selling prices further in an effort to entice customers. The latest fall in charges came alongside a faster rate of input price inflation, as costs rose modestly.

"Our current forecast signals a 5.8% fall in industrial production on the year during 2020, with output expected to rise only 1.8% in 2021. Therefore, any recovery across the Greek manufacturing sector is likely to be slow and drawn out, as global demand conditions struggle to right themselves following the pandemic."

was due to a further fall in new orders and historically muted demand conditions. Some also noted that client closures due to COVID-19 restrictions, especially in the tourism and hospitality sectors, had dented demand.

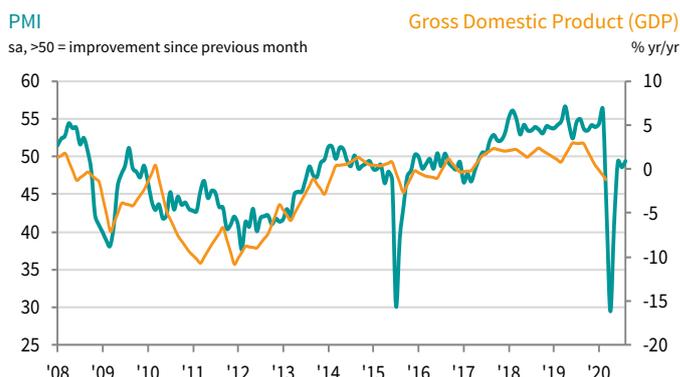
New orders decreased at a solid pace, despite the rate of contraction softening in August. Although quicker than the long-run series average, the pace of decline was much slower than April's record. Similarly, new export orders fell at a slower rate midway through the third quarter, albeit one that was still solid overall.

As firms continued to resume operations following temporary shutdowns due to the virus outbreak, companies have begun to increase their hiring activity. Although only fractional, manufacturers registered the first expansion in staffing numbers since February despite ongoing signs of spare capacity.

Meanwhile, business expectations improved in August and reached a six-month high. Confidence reportedly stemmed from hopes of new client acquisitions and stronger customer demand over the coming year.

In an effort to boost sales, firms once again reduced their output charges in August. The rate of decline was only slight, and the slowest in the current six-month sequence of decrease, but came alongside a faster rise in input costs. The rate of input price inflation picked up to a seven-month high.

Finally, input buying fell again in August, but at the slowest pace in six months. Firms reportedly used stocks of purchases to fulfill production requirements, and pre-production inventories decreased accordingly. Stocks of finished goods rose at the sharpest rate since October 2008, however.



Sources: IHS Markit, National Statistical Service of Greece.

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Survey 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.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history

Data were collected 12-21 August 2020.

Survey data were first collected May 1999.

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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. ihsmarkit.com/products/pmi.html