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IHS Markit Greece Manufacturing PMI®

Further sharp expansion in output despite severe supply-chain disruption

Key findings

Strong demand conditions support upturn in production...

...but capacity shortages lead to fastest rise in backlogs of work on record

Input cost inflation reaches fresh series high

Data were collected 13-23 September 2021.

September PMI® survey data signalled a sharp improvement in the health of the Greek manufacturing sector. The overall upturn was supported by further steep expansions in output and new orders, despite severe supply-chain disruption. Although many noted that a near-record deterioration in vendor performance hampered output growth, demand conditions reportedly remained solid. Nonetheless, unprecedented supplier delivery delays exacerbated pressure on capacity, as backlogs of work rose at a series-record pace.

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 58.4 in September, down slightly from 59.3 in August, to signal a steep improvement in operating conditions across the Greek manufacturing sector. The expansion contrasted notably with the series average, which indicates broad stagnation in the sector.

Contributing to the overall upturn was a further steep rise in production during September. The rate of output growth was the second-fastest since April 2019, despite easing due to material shortages constraining capacity.

September data indicated a sharp upturn in new orders, as Greek manufacturing firms noted solid demand conditions. The rate of increase in new sales was among the fastest in the

continued...

Greece Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

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

"Greek goods producers registered a steep improvement in operating conditions in September. Further sharp upturns in output and new orders supported growth despite severe delays in input deliveries hampering the expansion in production.

"Transportation issues and material shortages led input costs to soar at an unprecedented rate.

"Additional pressure on capacity also stemmed from unstable supply of inputs, as backlogs of work rose at the fastest pace on record. Although firms increased employment at a solid rate, the processing of new work was held up.

"We expect industrial production to rise 6.6% on the year in 2021, but output growth may continue to be hampered through the final quarter as supply-chain disruptions persist."

over 22 years of data collection. The rise was attributed to new client acquisitions and efforts by customers to secure finished goods.

Also supporting total new sales was a faster increase in new export orders in September. The rate of growth was the quickest for three months as firms entered new markets.

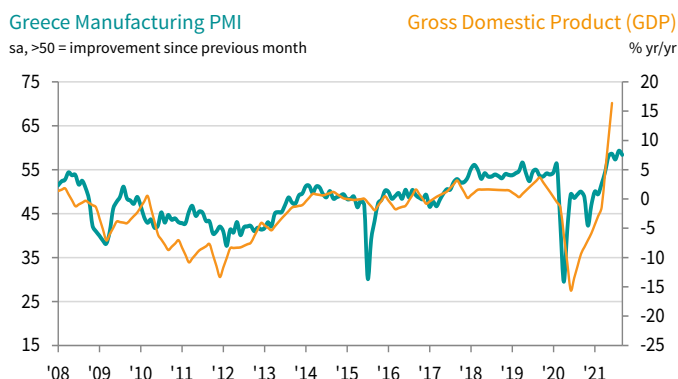
Pressure on capacity stemming from a sustained rise in new orders and ongoing, severe material shortages led to the sharpest expansion in backlogs of work on record in September.

Firms sought to aid production by increasing their workforce numbers, with employment rising solidly. The rate of job creation was the slowest for five months, despite easing only slightly from that seen in August.

Meanwhile, transportation delays and material shortages led to an unprecedented rise in input prices. The notable acceleration in the pace of cost inflation reportedly stemmed from higher raw material and shipping costs. Firms were able to partially pass on greater costs to clients, as the pace of charge inflation quickened to the fastest for three months.

Another marked deterioration in vendor performance added to fears at manufacturers of further supply shortages. As a result, firms expanded their buying activity sharply. Nonetheless, stocks of purchases and finished goods were depleted again as companies utilised inventories to supplement production and sales.

Output expectations regarding the outlook over the coming year were strong in September. Confidence was upbeat amid hopes of stronger client demand and an end to the pandemic.



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 13-23 September 2021.

Survey data were first collected May 1999.

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