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IHS MARKIT GREECE MANUFACTURING PMI®

Sharp increase in new business in September

KEY FINDINGS

Strong upturn in production

Employment growth eases, but remains solid

Input prices rise at joint-slowest pace for three-and-a-half years

The Greek manufacturing sector signalled a slight loss of momentum in September. The overall improvement in operating conditions was solid, albeit the softest since June. Partly driving softer growth was the second-slowest increase in employment since December 2017, amid reduced strain on capacity. Nevertheless, rates of expansion in production and new orders remained sharp. At the same time, business confidence was robust as a result of favourable domestic demand conditions and a sustained rise in new business. Cost pressures, however, remained subdued as competition among suppliers limited price rises.

The seasonally adjusted IHS Markit Greece Manufacturing Purchasing Managers' Index® (PMI®) – a composite indicator designed to measure the performance of the manufacturing economy – posted 53.6 in September, down from 54.9 in August, and signalled the slowest improvement in the health of the Greek manufacturing sector since June. Nonetheless, the headline figure was well above its long-run series average (49.8) and growth was solid overall.

The expansion in production across the Greek goods-producing sector was strong, despite also easing to the slowest since June. The upturn was reportedly supported by greater client demand and a steep increase in new order volumes.

Concurrently, the rate of increase in new business remained sharp overall and among the fastest seen in the past 12 years. Growth was commonly linked to greater new sales to new and existing clients. That said, the rise in new business

Manufacturing PMI
sa, >50 = improvement since previous month



from abroad softened in September to only a moderate rate that was the slowest for three months.

Meanwhile, firms signalled reduced strain on capacity as the expansion in employment slowed to the second-weakest since the end of 2017 while backlogs of work fell for an eighth successive month. Where an increase in workforce numbers was reported, however, firms attributed this to a sustained rise in new orders.

September data also signalled further muted increases in input costs. The rate of input price inflation was only marginal overall and the subdued rise was linked by panellists to greater competition among suppliers following a global slowdown in input buying. Competition among manufacturers also led to only a slight increase in factory gate charges, with firms only partially passing on cost inflation.

Alongside a sharp upturn in new orders, firms registered a solid rise in input buying. Supplier delays in delivering raw materials led to the further depletion of pre-production inventories, however. The decline in stocks of finished goods also quickened, but remained only marginal overall.

Finally, output expectations were robust in September and above the series trend. Optimism among panellists was buoyed by favourable domestic demand conditions.

COMMENT

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

"The Greek manufacturing sector continued to defy the trend seen across the rest of the eurozone, with a solid improvement in operating conditions in September. Production and new orders rose at sharp rates, as new business from abroad increased further.

"Signs of spare capacity did emerge, however, with employment increasing at the second-slowest pace since December 2017 amid another monthly decrease in backlogs of work.

"Meanwhile, cost pressures remained subdued. Despite a solid rise in purchasing among Greek manufacturers, global demand for raw materials has weakened leading to softer price rises. IHS Markit expects inflation across the Greek economy to stay modest going into 2020, which should further support growth in domestic demand."

PMI

sa, >50 = improvement since previous month



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.

September 2019 data were collected 12-23 September 2019.

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