

IHS Markit Greece Manufacturing PMI®

Substantial rise in output despite severe material shortages

Key findings

Further marked increases in output and new orders

Backlogs of work rise at record pace as capacity constrained further

Inflationary pressures remain historically robust

Data were collected 12-23 July 2021.

July PMI® survey data signalled another marked improvement in the health of the Greek manufacturing sector, supported by sustained production and new order growth. Rates of expansion in output and new sales remained historically elevated. There were some reports, however, that production growth was constrained by material shortages and pressure on competitiveness following another increase in selling prices. The need to pass-through costs stemmed from a near-record rise in input prices amid severe supply-chain disruption.

As a result of poor vendor performance and an uncertain supply flow, business confidence slipped to the lowest in four months.

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 57.4 in July, down slightly from 58.6 in June. The latest improvement in operating conditions across the Greek manufacturing sector was the third-fastest in over 21 years and sharp overall despite the headline index dipping to a three-month low.

Contributing to steep overall growth was a substantial increase in production at the start of the third quarter. Greater output was supported by a sustained rise in client demand as the economy continued to reopen. With the exception of June's recent high, the rate of expansion in production was the fastest since February 2020. Nonetheless, some firms noted

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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 manufacturers once again signalled strength in customer demand and production growth. The underlying issues of capacity constraints and supply-chain disruption have begun to come to the fore though, as reports of material shortages became more widespread.

"Meanwhile, backlogs of work accumulated at an unprecedented rate and post-production stocks were eaten into once again.

"At the same time, goods producers were faced with the tough choice between absorbing soaring cost burdens, or, protecting their margins by partially passing them on to clients but becoming less competitive. This, combined with an uncertain future for supply, weighed on output expectations for the year-ahead.

"Nevertheless, our current forecast expects industrial production to rise 6.2% on the year in 2021 as the sector continues the path towards recovery."

capacity constraints amid severe raw material shortages.

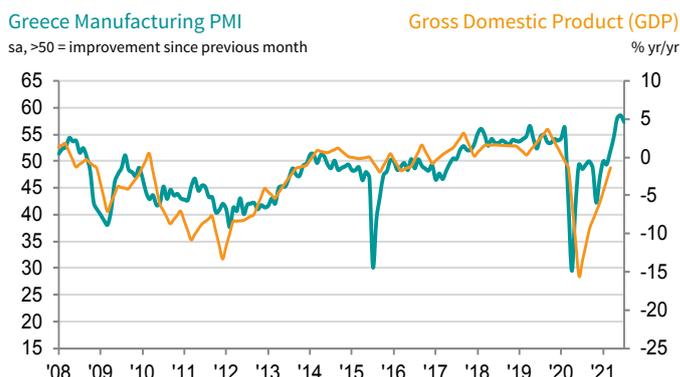
Although the pace of new order growth eased from that seen in June, it remained steep overall. The rise in new sales was linked to the further reopening of the domestic economy and key export destinations. A few companies noted that hikes in output charges following soaring cost burdens put pressure on competitiveness, however. At the same time, new export orders rose solidly.

Severe supply-chain disruption and raw material shortages led to the fastest accumulation in backlogs of work since data collection for the series began in November 2002. Despite a solid rise in employment, the rate of increase in work-in-hand accelerated. Many firms also registered a decline in stocks of finished goods as current holdings were utilised to fulfil new order requirements. The fall in post-production inventories was the sharpest in 2021 so far.

The near-record degree of deterioration in vendor performance also resulted in a substantial increase in input prices during July. Greater global demand for inputs and supplier shortages led to one of the quickest rises in costs on record, with firms seeking to pass some of the increase onto their clients. Efforts to retain competitiveness meant that the rate of charge inflation eased to a three-month low, however.

Meanwhile, concerns regarding the stability of future supply flows and input prices weighed on business confidence. The degree of optimism slipped to a four-month low, but was still strongly upbeat.

Finally, stocks of purchases continued to fall only modestly in July, as input buying rose strongly again.



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 12-23 July 2021.

Survey data were first collected May 1999.

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