

IHS Markit Greece Manufacturing PMI®

Health of manufacturing sector improves at sharpest rate for over 21 years

Key findings

Stronger client demand but capacity pressures hamper output growth

Severe supply-chain disruption leads to soaring input costs

Input buying growth accelerates amid efforts to build safety stocks

Data were collected 11-23 June 2021.

June PMI® survey data signalled a marked upturn in the Greek manufacturing sector, with operating conditions improving at the strongest rate since April 2000. New order growth supported the overall expansion, with the increase in output reportedly stymied by severe material shortages. Vendor performance deteriorated to the greatest extent since April 2020, which exacerbated pressure on capacity and pushed input costs higher. Firms sought to partially pass through greater costs to clients through the sharpest rise in charges on record.

Meanwhile, supplier shortages increasingly led to firms seeking to expand safety stocks to enable production to continue unaffected.

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 58.6 in June, up from 58.0 in May. The latest improvement in the health of the Greek manufacturing sector was the sharpest since April 2000 and was marked overall.

Contributing to the uplift in the headline figure was a marked increase in new order inflows in June. The upturn in new sales was the quickest for 21 years as stronger client demand was reported from both domestic and foreign customers. At the same time, new export sales rose at the sharpest pace since February 2020.

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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:

"The Greek manufacturing sector continued to gain strength in June, amid the strongest rise in new orders for 21 years.

"Despite a sharp upturn in hiring, pressure on capacity following severe raw material shortages hampered output growth which slowed from that seen in May. Delays were reportedly exacerbated by greater global demand for inputs, as cost burdens soared at a record-breaking rate.

"Firms' selling prices rose at the fastest rate since data collection began, with expectations that the reopening of key sectors of the wider economy will lead to higher consumer prices early on in the second half of 2021. That said, efforts to retain customers and stabilise order inflows mean that our current forecast for CPI remains at 0.3% year-on-year in 2021."

Output, however, saw growth hampered by ongoing and worsening supply-chain disruptions in June. The rate of expansion was sharp overall and the second-fastest since February 2020, but firms highlighted heightened pressure on capacity.

With the exception of April 2020's substantial deterioration in vendor performance, June data signalled the greatest extension in input delivery times on record. Companies often stated that longer lead times were due to transportation delays, greater demand for inputs globally and supplier shortages.

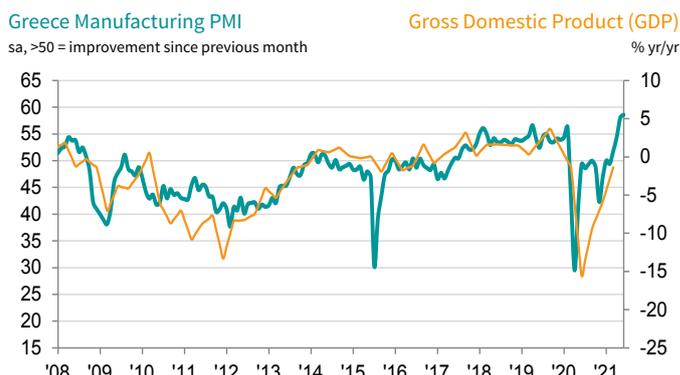
Subsequently, key input prices rose significantly at the end of the second quarter. The rate of cost inflation accelerated for the eleventh month running and was the fastest on record.

Accordingly, firms raised their output charges amid accommodative demand conditions. The pace of selling price inflation was the quickest since data collection for the series began in November 2002.

In line with soaring cost burdens, firms expanded their purchasing activity, with growth accelerating to the sharpest since February 2020. Stocks of purchases continued to fall, but at the slowest pace in three months as a result of stockpiling efforts. Post-production inventories also fell, as companies sought to meet order commitments through sales from stock.

Meanwhile, greater production requirements spurred job creation in June. Employment growth was the steepest since the pandemic began, but did not prevent backlog accumulation quickening. Work-in-hand rose at the fastest pace on record (since November 2002).

Finally, output expectations for the year ahead moderated slightly amid supply chain uncertainty. Nonetheless, the degree of optimism was above the series average.



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 11-23 June 2021.

Survey data were first collected May 1999.

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