

IHS Markit Greece Manufacturing PMI®

Renewed deterioration in operating conditions as demand contracts

Key findings

Output and new orders decline amid pandemic impact

Cost burdens rise at the fastest pace since January

Business confidence improves

Data were collected 12-23 October 2020.

The latest PMI® survey data signalled a decline across the Greek manufacturing sector in October, as operating conditions returned to contraction territory. The overall fall was largely due to a renewed drop in output and steeper fall in new orders, as demand among both domestic and external customers was reduced. As a result, spare capacity across the sector increased and firms cut workforce numbers once again. Nonetheless, business confidence strengthened amid hopes of an end to the pandemic.

Meanwhile, cost burdens rose solidly and at a faster pace amid supplier shortages. Firms struggled to pass on higher costs as competitive pressures forced down selling prices.

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 48.7 in October, down from 50.0 in September to signal a marginal decline in the health of the Greek goods-producing sector. The sector once again lost momentum towards a recovery as the impacts of the resurgence in the coronavirus disease 2019 (COVID-19) pandemic dampened demand.

Output contracted for the seventh time in the last eight months across the Greek manufacturing sector, as firms struggled to boost sales amid weak demand conditions. Although only
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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, Economist at IHS Markit, said:

"The impacts of the ongoing COVID-19 pandemic weighed once again on client demand in October, dragging the manufacturing sector back into contraction. Many noted that the decrease in new orders in the important food and beverage sector dampened overall production.

"A sharp increase in spare capacity also reduced the need for extra staff at the start of the final quarter. Firms also saw margins pinched further, as cost burdens rose at an accelerated pace but selling prices fell once again. Discounting was often linked to competitive pressure and efforts to boost sales.

"Nonetheless, manufacturers were upbeat regarding the outlook for output over the next year. Although positive expectations were largely driven by hopes of an end to the pandemic, our latest forecast for annual industrial production foresees a modest rise of 2.1% in 2021. As the sector is expected to contract by 4.6% throughout 2020, the recovery to pre-pandemic levels may be drawn out."

modest overall, the rate of decline was the fastest since May.

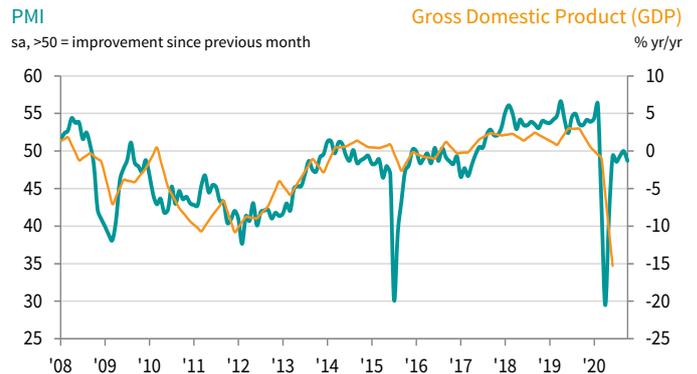
Contributing to the downturn in production was a quicker fall in new orders in October. Companies stated that the decrease was due to a resurgence in virus cases across Europe which weighed on demand conditions, especially in the food sector. As a result, foreign client demand also dropped, falling at the quickest rate for three months.

Despite another monthly downturn in order book volumes, companies' output expectations for the coming year improved at the start of the fourth quarter. Hopes of an end to the COVID-19 pandemic and renewed customer demand were reportedly behind the uptick in confidence.

On the price front, cost burdens faced by goods producers rose at a solid rate in October. The pace of inflation was the quickest since January as higher raw material costs drove input prices up. Firms were unable to pass on greater costs to clients, however, as competitive pressures and efforts to boost sales led to further discounting. The rate of decline in selling prices was solid overall.

In line with weaker demand conditions, firms reduced their workforce numbers for the first time in three months. The decline in employment was often linked to spare capacity and necessary redundancies. At the same time, backlogs of work fell sharply and at the steepest pace for five months.

Finally, firms registered further supply issues, as vendor performance deteriorated steeply. Inventories were depleted once again as firms sought to reduce costs and run down stocks. In line with fewer new orders, manufacturers cut back on input buying at the fastest pace for four months.



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 October 2020.

Survey data were first collected May 1999.

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