

IHS Markit Greece Manufacturing PMI®

Marked decline in operating conditions amid second escalation of COVID-19 pandemic

Key findings

Substantial downturns in output and new orders amid further restrictions

Cost burdens rise sharply as supplier shortages push prices higher

Optimism strengthens amid hopes of a return to pre-pandemic levels

Data were collected 12-23 November 2020.

The latest PMI® survey data signalled a further decline in the health of the Greek manufacturing sector, as the goods-producing economy indicated the start of a second downturn since the start of the coronavirus disease 2019 (COVID-19) pandemic. The deterioration in operating conditions largely stemmed from contractions in demand and drops in production and employment. As new orders fell again, pressure on capacity dwindled, leading firms to reduce their headcounts at a strong pace. In fact, contractions in output, employment and purchasing were the fastest since May and substantial overall.

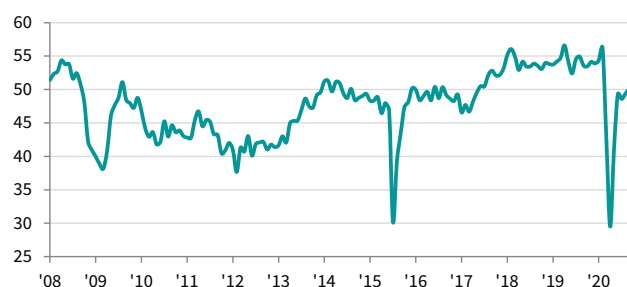
Meanwhile, further supply chain disruptions following supplier shortages drove input prices up, with cost burdens rising at the fastest pace since August 2018.

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 42.3 in November, down notably from 48.7 in October. The latest data signalled the sharpest deterioration in overall manufacturing sector performance since May, as the sector tumbled further into decline once again. The rate of contraction was among the fastest since data collection began in May 1999.

Driving the overall sector decline was a substantial downturn
continued...

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:

"November data painted a bleak picture once again for the Greek manufacturing sector as it tumbled further into contraction for the second time since the outbreak of the pandemic. Steep drops in client demand and additional restrictions dampened customer impetus to spend and reduced output capacity.

"In fact, rates of decline in domestic and foreign client demand were the sharpest since April's nadir.

"A lack of new sales led to further job cuts, as pressure on capacity from COVID-19 related restrictions were offset by weak demand. Nevertheless, firms were at their most upbeat since February amid hopes that output will expand over the coming year. Alongside weak projections for the tourism sector, however, our current forecast does not expect that total economic output will reach pre-pandemic levels until 2023."

in new order inflows. New business fell at the steepest rate since April's nadir as COVID-19 restrictions and weak client demand weighed on sales. A notable contraction was also seen in new export orders which fell markedly in November. Greek manufacturers highlighted subdued demand in key export destinations following renewed national lockdowns.

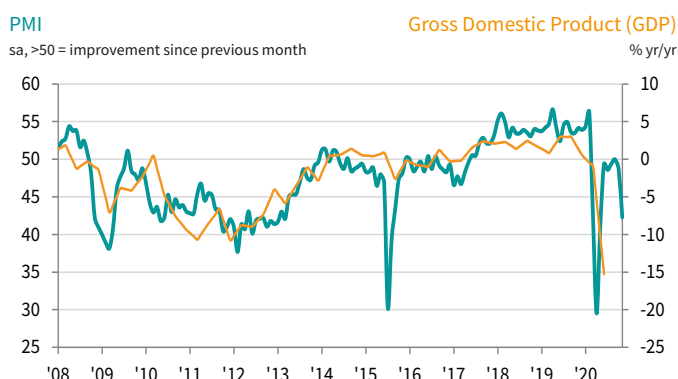
Reflecting the decrease in new orders, production declined at a significant pace. Although further restrictions reduced available capacity, pressure did not mount due to the marked fall in client demand. As such, backlogs of work were depleted again and at a substantial pace.

In line with lower capacity requirements and reduced client demand, firms lowered their workforce numbers in November. The rate of job shedding was strong and the fastest since May.

At the same time, goods producers registered an accelerated and sharp rise in cost burdens midway through the fourth quarter. Reports of supplier shortages, greater transportation costs due to increased restrictions and higher raw material prices drove input price inflation up. The rise in costs was the fastest since August 2018. Nonetheless, firms cut output charges at a marginal pace in an effort to remain competitive.

Supply chain delays were also reflected in longer lead times. Firms cut their input buying amid lower production requirements. Pre- and post-production inventories were depleted, as stocks of finished goods were used to fulfill any new orders.

Finally, Greek goods producers noted a more upbeat outlook for output over the coming year amid hopes of a return to pre-pandemic production levels by November 2021.



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 November 2020.

Survey data were first collected May 1999.

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