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IHS Markit Greece Manufacturing PMI®

Operating conditions stabilise amid slower contraction in output

Key findings

Declines in production and new orders ease

Cost burdens rise at fastest rate since July 2008

Vendor performance deteriorates markedly

Data were collected 12-22 January 2021.

The latest PMI® survey data signalled a stabilisation in the health of the Greek manufacturing sector at the start of 2021. Slower contractions in output and new orders contributed to the rise in the headline figure. Meanwhile, supplier delivery times deteriorated substantially amid supply chain disruptions, resulting in a marked increase in cost burdens which rose at the sharpest rate since July 2008. In an effort to pass on higher costs, output charges rose for the first time since February 2020, albeit only fractionally.

Business confidence improved, nonetheless, as hopes of a successful vaccine roll-out buoyed optimism.

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 50.0 at the start of 2021, up from 46.9 in December. The latest data signalled unchanged operating conditions from those seen in December and brought to an end a three-month sequence of decline in the sector.

Output continued to contract across the Greek manufacturing sector in January, albeit at the slowest pace in the current four-month sequence of decline. The marginal downturn was, however, linked to weak demand conditions and a further fall in new order inflows.

At the same time, the decrease in new business softened

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:

"Greek manufacturers signalled a more positive start to 2021, as contractions in output and new orders slowed amid a stabilisation in operating conditions. In fact, firms expanded their workforce numbers amid a more upbeat outlook for the year ahead.

"Supply chain disruptions remained evident and of concern once again, however. Higher raw material and transportation costs, alongside supplier shortages weighed on vendor performance, whilst also pushing input prices up. The rate of cost inflation was the sharpest since July 2008, with firms being forced to increase charges fractionally. Many tried to limit such rises in selling prices for fear of becoming uncompetitive."

for the second month running but remained strong overall. Subdued demand conditions were reportedly due to the closure of numerous customers following strict coronavirus disease 2019 (COVID-19) restrictions. Additional measures across key export destinations also weighed on foreign client demand, with new export orders falling sharply.

Supply-chain disruptions remained apparent in January, as vendor performance deteriorated significantly. Firms stated that raw material shortages, and restrictions on movement due to the COVID-19 pandemic were the main factors behind longer lead times.

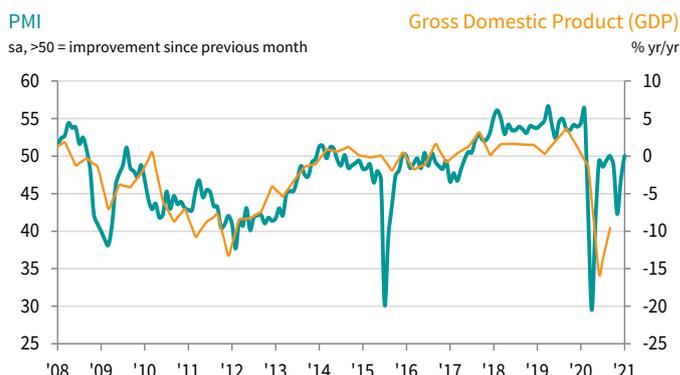
As a result, average cost burdens rose further and at the steepest rate since July 2008. The rate of inflation accelerated for the sixth month running, as global demand for inputs rose.

Despite the marked rise in input prices, firms increased their output charges at only a fractional pace. Nonetheless, the upturn was the first for almost a year as companies reportedly sought to partially pass on higher costs to clients.

Meanwhile, input purchasing continued to decline amid a further fall in production requirements. Firms also depleted their inventories, as pre-production stocks supplemented output and many sales were reportedly made directly from current holdings of finished goods.

Lower new order inflows contributed to a further fall in backlogs of work. Nevertheless, firms increased employment for the first time in four months.

Finally, business confidence strengthened in January as hopes of a successful vaccination roll-out and greater client demand supported optimism. The degree of positive sentiment was the highest since February 2020.



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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 12-22 January 2021.

Survey data were first collected May 1999.

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Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. ihsmarkit.com/products/pmi.html