

IHS Markit Greece Manufacturing PMI®

Faster fall in output as demand stalls following COVID-19 crisis

Key findings

Rates of contraction in production and new orders quicken

Business confidence softens notably amid uncertainty

First rise in input costs since March

Data were collected 13-24 July 2020.

The latest PMI® survey data indicated a marginal, but quicker, deterioration in operating conditions across the Greek manufacturing sector. The faster overall decline largely stemmed from accelerated drops in output and new orders, as uncertainty surrounding the coronavirus disease 2019 (COVID-19) outbreak weighed on domestic and foreign client demand. Evidence of spare capacity and weak new order inflows led to a further reduction in workforce numbers, as firms signalled reduced optimism towards the outlook for output over the coming year.

Meanwhile, input prices rose for the first time in four months amid higher raw material costs.

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 at 48.6 in July, down from 49.4 in June. The quicker decline in manufacturing business conditions reversed the trend towards recovery seen following April's historic low. That said, the deterioration was only marginal overall.

Output continued to fall at Greek manufacturing firms in July, and at a slightly faster pace. The reduction in production was only marginal overall, but firms highlighted further evidence of a drop in client demand following the COVID-19 pandemic.

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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 Greek manufacturing sector stumbled slightly in its progression towards recovery at the start of the third quarter, as output and new orders fell at faster rates. Panellists continued to note difficulties stemming from the virus pandemic, amid a tourism season lacking in vibrancy and the ongoing closure of some firms.

"Firms also expressed less confidence in future output, with companies highlighting greater hesitancy towards client demand over the coming year and how long it will take to return to pre-pandemic output levels.

"Meanwhile, input prices signalled a renewed rise amid greater global demand for inputs. The rate of Greek consumer price inflation is expected to remain subdued however, as output charges continued to drop. Our latest forecast for 2020 anticipates a 0.5% fall in prices compared to those seen in 2019."

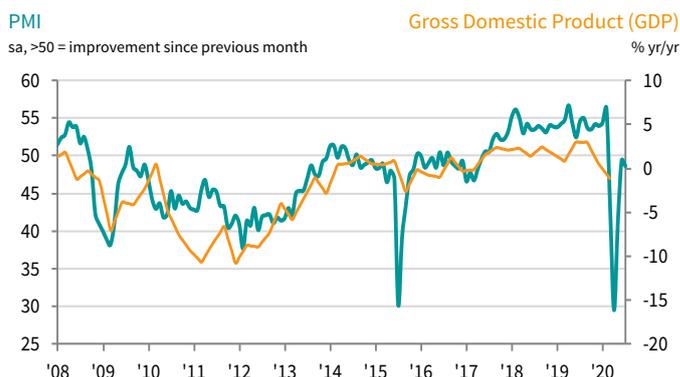
The fall in output reportedly stemmed from a solid decrease in new business, with some firms stating that the impact on the tourism sector had dented new sales inflows. Although the rate of decline was slower than April's record, it was nonetheless much faster than the series average. Manufacturers also noted weak demand from key export markets, as new business from abroad fell strongly.

Reflecting the quicker downturn in client demand, Greek manufacturers signalled less robust confidence in an increase in output over the coming year. The degree of optimism dropped notably from June's four-month high, but sentiment remained positive overall. Confidence was reportedly weighed down by uncertainty due to the ongoing COVID-19 pandemic.

Meanwhile, input costs rose for the first time since March as supplier price hikes pushed raw material costs higher. That said, the rate of inflation was only marginal overall and historically subdued. Output charges continued to fall as firms used further discounting in an attempt to boost sales and attract new clients.

In line with weaker demand conditions, manufacturers lowered their workforce numbers in July. The marginal fall in employment was the slowest in the current five-month sequence of contraction, but stemmed from an accelerated rise in spare capacity at goods producers.

Manufacturing firms continued to work through their stocks in July, as both pre- and post-production inventories contracted further. Weak demand led to another monthly drop in input buying, while suppliers' delivery times continued to lengthen.



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 13-24 July 2020.

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