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IHS MARKIT GREECE MANUFACTURING PMI®

Output and new order growth continues to lose momentum

KEY FINDINGS

Production expansion dips to six-month low

New business growth eases to joint-weakest in a year

Output prices charged decrease for first time in 2018 so far

October data indicated a solid improvement in the health of the Greek manufacturing sector, despite the headline PMI dipping to a six-month low. Growth was supported by sustained rises in output and new orders. Although rates of expansion in both softened, they remained solid and well above their respective series averages. Output expectations towards the year-ahead also slipped, with business confidence at its lowest level since September 2017.

Meanwhile, input prices paid continued to rise sharply. Despite additional strain on profit margins, manufacturers reduced output prices charged following increased competition.

The seasonally adjusted IHS Markit Greece Manufacturing Purchasing Managers' Index® (PMI®) – a composite indicator designed to measure the performance of the manufacturing economy – registered 53.1 in October, down slightly from 53.6 in September. The latest figure signalled the slowest improvement in operating conditions since April, but one that was solid nonetheless.

Although weaker than the rates seen at the start of the year, output growth remained solid in October. Panellists stated that new client acquisition and expansion into new markets drove the latest improvement. Moreover, the pace of expansion remained well above the long-run series average despite easing to a six-month low.

Similarly, new business received by monitored firms increased at a relatively solid pace, extending the current sequence of growth to 15 months. Anecdotal evidence

Manufacturing PMI
sa, >50 = improvement since previous month



attributed the rise to stronger demand in both the domestic and foreign market, with new export orders increasing strongly.

Increased competition from foreign markets led manufacturing firms to reduce their output prices charged in October. The fall in factory gate charges was the first since December 2017, although only marginal overall. The decrease in output prices came despite goods producers registering a sharp rise in cost burdens, amid higher raw material and fuel prices. Strain was also evident on supply chains, with delivery times lengthening to a solid extent.

Solid upturns in output and new orders led firms to raise their purchasing activity in October, with buying increasing at the fastest pace for four months. The expansion in input purchasing was driven by another fall in pre-production inventories, the third in four months.

Meanwhile, manufacturers signalled slightly more pressure on capacity as backlogs of work contracted at the weakest rate since April. Greek firms also increased workforce numbers at one of the fastest paces in the series history amid a sustained rise in new business.

Finally, business confidence dipped to a 13-month low. Although above the series trend, firms expressed a less upbeat outlook on future output. Global political uncertainty and greater competition were commonly cited as concerns.

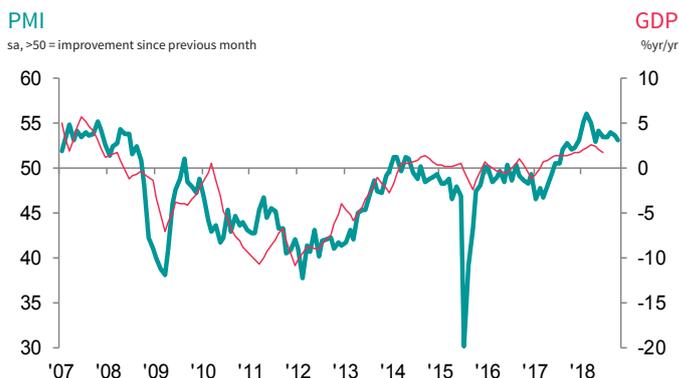
COMMENT

Siân Jones at IHS Markit, which compiles the Greece Manufacturing PMI survey, commented:

“Reflective of wider trends seen across the Eurozone in recent months, October data signalled a solid, but softer improvement in the health of Greece’s manufacturing sector. Output and new order growth remained historically robust, despite dipping from peaks seen in early-2018.

“Reassuringly, firms indicated another substantial monthly increase in manufacturing employment, adding further fuel to domestic demand. Furthermore, the rate of job creation was strong and one of the fastest in the series history.

“Goods producers were less upbeat towards output levels over the coming 12 months, however. Firms registered the first monthly decrease in output prices since December 2017 and business confidence dipped to a 13-month low, amid greater competition and global political uncertainties.”



Source: IHS Markit, National Statistical Service of Greece.

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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.

October 2018 data were collected 12-24 October 2018.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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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. To learn more go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).