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IHS MARKIT GREECE MANUFACTURING PMI®

Manufacturing downturn eases markedly amid loosening of COVID-19 restrictions

KEY FINDINGS

Contractions in output and new orders only fractional

Employment falls further amid spare capacity

Renewed optimism signalled by manufacturers

Data were collected 12-23 June 2020.

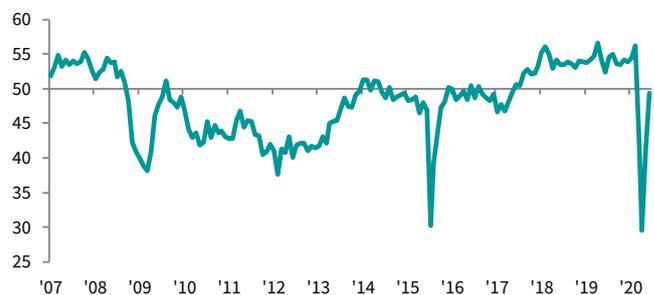
The latest PMI® survey data indicated only a fractional deterioration in operating conditions in the Greek manufacturing sector in June, as downturns in output and new orders softened substantially. Although client demand reportedly remained historically weak, the reopening of customers and key export markets following the loosening of coronavirus disease 2019 (COVID-19) restrictions, aided sales. Despite firms signalling a slower decrease in employment, a number noted that efforts to cut costs and lower new order inflows led to further job cuts. Nonetheless, the reopening of the economy spurred optimism at manufacturers.

Meanwhile, companies continued to reduce their output charges due to efforts to boost demand amid lower cost burdens.

The seasonally adjusted IHS Markit Greece Manufacturing Purchasing Managers' Index® (PMI®) – a composite indicator designed to measure the performance of the manufacturing economy – posted 49.4 in June, up from 41.1 in May and indicating a notably slower contraction in overall conditions across the sector compared to April's nadir.

The softer deterioration in operating conditions was partially driven by a slower fall in production. The rate of contraction was only fractional and the softest since February, before the COVID-19 outbreak intensified. Where firms reported a rise in output, this was commonly linked to the reopening of factories and customers. However, suggestions of weak client demand led to a further decrease overall.

Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit

A softer decrease in new orders was largely linked to a pick-up in requests, with some respondents noting the acquisition of new clients. That said, the slight decline was in stark contrast to the sharp expansions seen earlier in the year, before the pandemic escalated. New export orders also fell marginally in June, with the rate of decrease softening as foreign customers reportedly reopened.

Weak client demand and several months of shutdown led many firms to continue to cut jobs in an effort to reduce costs amid further spare capacity. Although factories reopened, many firms noted the rise in production was partly linked to the fulfillment of work-in-hand. Backlogs fell strongly, albeit at a softer pace.

Hopes of a return to pre-pandemic new order volumes, the reopening of the economy and the acquisition of new clients led to optimism among Greek manufacturers, the first instance of positive sentiment since February. The degree of confidence was slightly below the long-run series average, but well below levels seen earlier in 2020.

Lower demand for inputs and weak buying activity among manufacturers spurred a further fall in cost burdens. The solid fall in input prices was reflected in a fourth successive decrease in selling prices. Firms used discounts to attract new clients and boost sales.

Finally, pre- and post-production inventories continued to decline in June as firms used stocks to fulfill orders.

COMMENT

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

"The Greek manufacturing sector began to emerge from the chaos of the pandemic in June, as the contraction in production slowed to only a fractional rate. The reopening of factories, customers and the wider economy aided the marked slowing of the downturn. That said, firms continued to report generally weak demand, with output partially supported by the processing of backlogs of work.

"The final month of the second quarter also saw a further drop in workforce numbers, as many sought to cut costs amid historically subdued new order inflows. Although input prices fell again in June, companies reduced their charges for the fourth month running in an effort to attract sales.

"Despite being much weaker than earlier in 2020, business confidence notably improved among Greek manufacturers. Optimism returned, as firms expect an increase in output over the next year. 2020 will remain challenging, however, as industrial production is forecast to drop by almost 8% on the year."

CONTACT

IHS Markit

Siân Jones
Economist
T: +44-1491-461-017
sian.jones@ihsmarkit.com

Katherine Smith
Public Relations
T: +1 (781) 301-9311
katherine.smith@ihsmarkit.com

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.

June 2020 data were collected 12-23 June 2020.

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PMI

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Source: IHS Markit, National Statistical Service of Greece.

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