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IHS Markit Greece Manufacturing PMI®

PMI rises to seven-month high in September

Key findings

Output Index posts above 50.0 neutral mark for first time since February

Fastest expansion in employment for seven months

Cost pressures strengthen amid supplier

Data were collected 11-23 September 2020.

The latest PMI® survey data indicated unchanged operating conditions across the Greek manufacturing sector in September, thereby ending a six-month sequence of contraction. At the same time, output broadly stabilised amid a slower decline in new orders. Firms also increased their workforce numbers for the second month running and at the fastest pace since February despite further signs of spare capacity. Meanwhile, business confidence remained solid, but dipped slightly from that seen in August amid coronavirus disease 2019 (COVID-19) uncertainty.

Input costs rose at a solid rate amid raw material shortages. Selling prices were once again cut, however, as firms sought to boost sales.

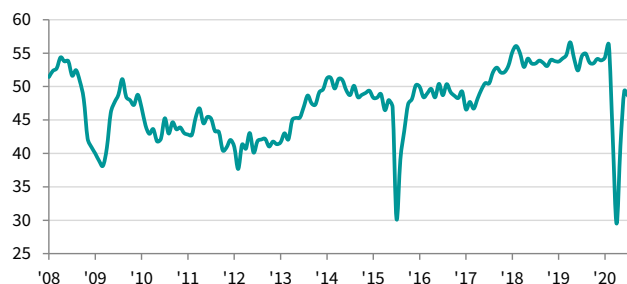
The headline IHS Markit Greece Manufacturing PMI® is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector.

The headline PMI posted 50.0 at the end of the third quarter, up from 49.4 in August. The headline index registered its highest reading since February, with the quarterly average signalling a slight contraction in operating conditions, an improvement on the marked deterioration seen during the second quarter of 2020.

Partially contributing to the uptick in the headline index was a broad stabilisation of production during September. The

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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 showed positive signs of recovery in September as operating conditions stabilised, and the Output Index posted above the crucial 50.0 neutral mark for the first time since February. Although new orders remain in contraction territory, the falls in total and external sales softened notably.

"As a result, job creation picked up, as manufacturers expanded employment amid further expectations that output will rise over the coming 12 months.

"That said, margins continue to be squeezed as input price inflation quickened, but selling prices fell at a faster rate. Efforts to drive new sales and stave off competition pushed companies to drop their charges further in September.

"Uncertainty crept back into business confidence, as concerns regarding a dip in demand for transportation and tourism weighed on optimism. We do not expect total economic output in Greece to return to pre-pandemic levels until 2024."

seasonally adjusted Output Index posted above the 50.0 neutral mark for the first time in seven months amid some reports of improvements in demand conditions.

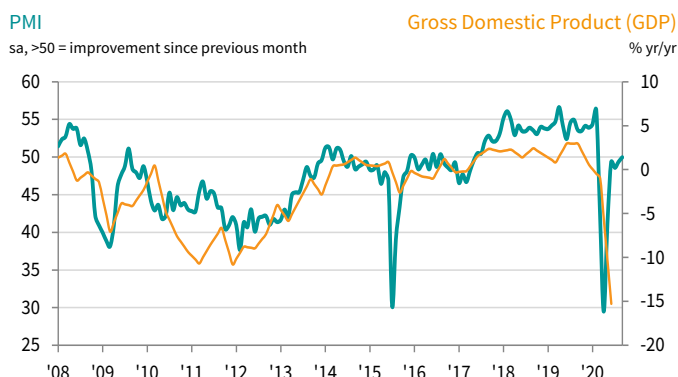
Although new sales continued to decrease in September, the rate of contraction softened to only a marginal pace that was the slowest for three months. Firms did, however, note that uncertainty surrounding the pandemic weighed further on client demand. Similarly, new export orders fell at a softer rate.

Meanwhile, employment increased for the second month running, as Greek manufacturers expanded their workforce numbers further. Although only marginal overall, the rate of job creation was the fastest since February. As a result, firms were able to work through their backlogs of work. Outstanding business fell at the slowest pace in seven months, however.

Input costs continued to rise in September, with goods producers registering a quicker rate of inflation. The solid rise in cost burdens was often linked to raw material shortages and capacity issues at suppliers. The pace of input price inflation was the fastest since January, but firms continued to lower their selling prices amid competition and efforts to boost sales. The rate of decline in charges accelerated to the sharpest since June.

Supplier capacity shortages were also evident through a sharp deterioration in vendor performance. Delivery times lengthened to the greatest extent in three months amid reports of logistical issues. At the same time, a further drop in purchasing activity drove pre-production inventories down in an effort to reduce costs.

Finally, business confidence remained optimistic in September, but dipped below the series average. Uncertainty surrounding the pandemic reportedly weighed on expectations.



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 11-23 September 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