

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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Markit Greece Manufacturing PMI®

Heavy snow weighs on Greek manufacturing performance in January

Key findings:

- Health of goods-producing sector hit by adverse weather conditions
- Manufacturing PMI falls to 16-month low
- Output and new orders contract at sharpest rates since September 2015

Data collected January 12-24

Greek manufacturers felt the effects of unexpected heavy snowfall in the opening month of the new year, with the health of the sector deteriorating at the sharpest pace since September 2015. The downturn was driven by marked declines in both output and new orders, subsequently leading firms to reduce their headcounts further. On the price front, input cost inflation accelerated to a 70-month high, however, firms lowered their selling prices.

January's contraction was highlighted by the seasonally adjusted Markit Greece Manufacturing Purchasing Managers' Index® (PMI®) – a composite indicator designed to measure the performance of the manufacturing economy – falling to 46.6. Down from 49.3 in December, the latest figure was the lowest for 16 months and weak in comparison to the long-run series average (49.4).

New orders continued to decline in the Greek manufacturing sector during January. In fact, the rate of contraction quickened since the end of 2016 to the fastest since September 2015. Firms also recorded a substantial drop in new business from abroad, the fifth successive monthly decline recorded.

In line with the trend for new work, Greek goods producers reduced their output at the beginning of 2017, with several firms highlighting heavy snow as the main factor for this decline. The rate of contraction was marked and quickened to the fastest for 16 months. Meanwhile, post-production inventories fell further.

Markit Greece Manufacturing PMI



Sources: IHS Markit, National Statistical Service of Greece.

Faced with a lower volume of new business, Greek goods producers continued to work through their backlogs of work, extending a current trend which was first observed in July 2008. Subsequently, firms lowered their staffing levels further, linking this to cost reduction efforts.

Businesses remained optimistic towards their 12-month outlook on production growth. That said, the level of positive sentiment was the weakest since October 2015.

Latest survey data pointed to a further substantial increase in input costs faced by Greek goods producers, with the rate of inflation accelerating to a 70-month high. There was evidence that higher prices for oil, steel, coffee and thermoplastics contributed to the overall increase in input prices. However, stronger competitive pressures in the sector led firms to lower their selling prices.

After stabilising in December, purchasing activity at Greek goods producers declined at the start of 2017. Weaker demand, lower production and challenging weather conditions were some of the reasons firms linked to the fall in input buying. Subsequently, pre-production inventories declined at a marked rate.

Heavy snow throughout Greece added further pressures to supplier delivery times, which lengthened at the fastest pace since last April.

Comment:

Samuel Agass, Economist at IHS Markit which compiles the *Greece Manufacturing PMI*® survey, said:

“Challenging weather conditions at the start of 2017 strongly impacted the performance of Greek manufacturers, as the health of the sector deteriorated at the sharpest pace since September 2015. Unexpectedly heavy snowfall weighed on manufacturing production, which contracted at the quickest extent for 16 months. Meanwhile, faced with a reduction in new business, firms continued to make inroads into their backlogs, subsequently leading to further jobs cuts as companies searched for areas to reduce costs.

“To compound the current misery for goods producers, latest PMI data also signalled the strongest rate of cost inflation for 70 months. With competitive pressures preventing businesses from raising their selling prices, operating margins tightened and consequently firms look set to try to alleviate their cost burdens over the coming months.”

-Ends-

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Note to Editors:

The Greece Manufacturing *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by Markit Economics. The report features original survey data collected from a representative panel of over 300 companies based in the Greek manufacturing sector. The panel is stratified by GDP and company workforce size.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@ihsmarkit.com.

The Manufacturing Purchasing Managers' Index (PMI) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

The Purchasing Managers' Index (PMI) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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Purchasing Managers' Index[®] (PMI[®]) surveys are now available for over 30 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 www.markit.com/product/pmi.

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