

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

Business conditions improve for second month running

Key findings:

- Output growth sharpest in 19 months...
- ...but new business stagnates
- Staffing numbers rise for third successive month

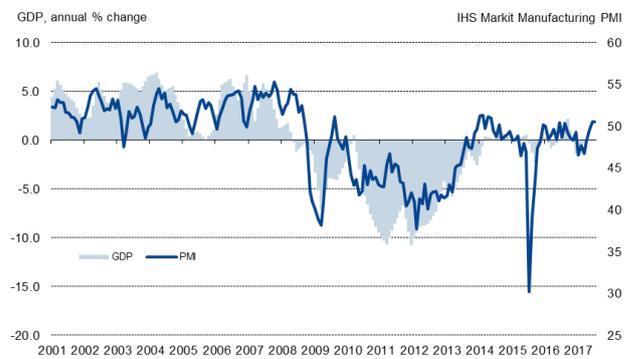
Data collected July 12-24

Operating conditions in the Greek manufacturing sector improved in July, albeit to only a marginal extent. Growth was largely driven by another rise in output, facilitated by a third consecutive rise in staffing numbers and in spite of a stagnation in new business wins. Purchasing activity also rose, albeit to a slight degree. Meanwhile, input price inflation remained marked which, in turn, filtered through to a second successive rise in average selling prices. Firms remained confident that output will increase over the coming 12 months.

July's expansion was signalled by the seasonally adjusted IHS Markit Greece Manufacturing *Purchasing Managers' Index[®] (PMI[®])* – a composite indicator designed to measure the performance of the manufacturing economy – posting above the 50.0 no-change threshold. At 50.5 in July, unchanged from June, the latest figure signalled only the second improvement in Greek manufacturing sector conditions since August last year. That said, the rate of growth was only marginal.

Driving the improvement in the Greek manufacturing sector was a second successive rise in **output**. Furthermore, the rate of expansion was the most marked since December 2015, albeit slight overall. In turn, this contributed to a rise in **post-production inventories** for the first time since October 2010. That said, the rate of expansion was only fractional.

IHS Markit Greece Manufacturing PMI



Sources: IHS Markit, National Statistical Service of Greece.

Production growth was matched by a third successive round of **job creation**. The rate of growth eased from June and was only modest, but remained one of the sharpest increases recorded post-crisis.

In contrast to rises in output and employment, the amount of **new business** placed with Greek manufacturers was unchanged in July, having increased for the first time in ten months in June. This, combined with a rise in payrolls, contributed to another fall in the volume of **unfinished business**. Backlogs of work have now depleted in each of the past 109 months.

Despite an unchanged level of new business, firms raised their **purchasing activity** in July, thereby ending a six-month period of decline. That said, the rate of expansion was fractional overall and it failed to prevent a further depletion of **pre-production inventories**.

Meanwhile, **input prices** facing Greek manufacturers increased for the sixteenth successive month. The rate of inflation remained marked and was unchanged from June. In turn,

firms raised their average **selling prices** for the second successive month as they looked to pass on higher cost burdens to their clients.

Average **lead times** on inputs continued to increase in July, albeit to the weakest extent in nine months.

Finally, **business confidence** toward output growth over the coming 12 months was the strongest since April 2014.

Comment:

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

“The latest data saw a consolidation in the rate of improvement in Greek manufacturing sector conditions, with the PMI unchanged from June. While any reading above 50.0 is welcome news at this juncture, the rate of growth remained precarious. Indeed, with total new orders stagnating and foreign demand falling further, it is conceivable that the headline figure could slip back in August.”

“To sound a more promising tune, staffing numbers were up for the third month running and at a sharp rate given the post-crisis history of the series. The increase will lift hopes of a further reduction in the country’s high level of unemployment – which has followed a downward trajectory in recent years.”

“Business confidence was also a positive feature of the latest survey, as it hit a 39-month high. Optimism was likely buoyed by the ongoing resurgence in the European economy, and will help boost investment spending going forward, in turn stimulating aggregate demand. The country’s return to financial markets in July may also provide some assistance on this front, at least in the short-term.”

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Note to Editors:

The Greece Manufacturing PMI[®] (*Purchasing Managers' Index*[®]) is produced by IHS Markit. 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.

IHS 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 IHS 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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