

News Release

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S&P Global Greece Manufacturing PMI[®]

Sharpest decline in output since December 2020 as inflation weighs on client demand in August

Key findings

Strong contraction in new orders spurs faster fall in output

Employment declines for the first time since December 2020

Inflationary pressures ease

A modest deterioration in operating conditions across the Greek manufacturing sector was seen in August, according to the latest PMI[®] data from S&P Global. The overall decline stemmed from a sharper decrease in production and weak domestic and foreign client demand. In line with lower new order inflows, manufacturers scaled back their staffing numbers for the first time since December 2020. Backlogs of work continued to fall as pressure on capacity waned. Nonetheless, output expectations strengthened amid hopes of an improvement in demand.

On the price front, rates of input cost and output charge inflation eased notably amid reports of some raw material prices falling.

The seasonally adjusted S&P Global Greece Manufacturing Purchasing Managers' Index[®] (PMI[®]) posted 48.8 in August, down from 49.1 in July. The latest data signalled back-to-back modest declines in the health of the Greek manufacturing sector, with the latest fall the quickest since December 2020.

Contributing to the overall deterioration in conditions was a sharp decline in production during August. The rate of contraction accelerated to the fastest since the end of 2020 and was reportedly driven by lower new order inflows and weak client demand.

At the same time, new sales received by Greek goods producers fell at a strong pace. Customer purchasing power was reduced amid soaring prices and hikes in energy costs. Although easing since July, the fall was the second-fastest in 18 months.

Meanwhile, foreign client demand weakened further as the pace of contraction in new export orders quickened. New sales from external customers declined at the steepest pace since January 2021.

The reduction in operating requirements following lower new order inflows led to a renewed drop in employment in August.

Greece Manufacturing PMI
sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 12-23 August 2022.

Comment

Siân Jones, Senior Economist at S&P Global Market Intelligence, said:

"Greek manufacturers continued to report challenging operating conditions during August as hikes in prices placed further strain on customer spending and weakened demand. Output fell sharply and at the fastest pace since the end of 2020 as firms scaled back spending in response.

"Cost cutting measures took the form of reductions in input buying and hiring activity, as employment fell for the first time since December 2020.

"Although inflationary pressures remained elevated, rates of input cost and output charge inflation softened again. Operating expenses rose at the slowest pace for almost two years as falling prices for some raw materials dampened the impact of soaring transportation and energy costs."

The fall in workforce numbers was the first since December 2020 and was linked to greater redundancies.

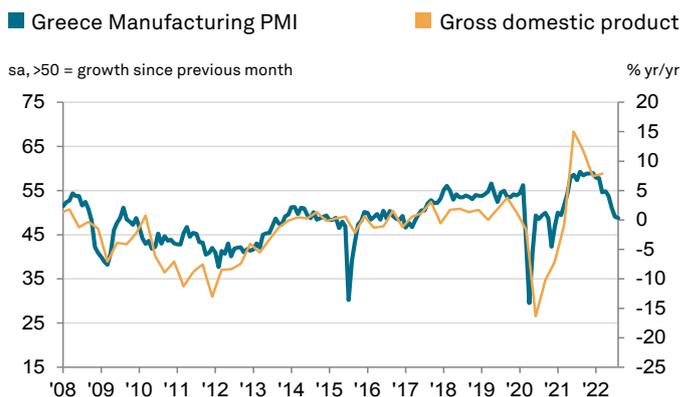
Greek manufacturing firms were able to continue working through their backlogs of work successfully, however. The pace of contraction was solid overall, despite easing to the softest for three months.

Inflationary pressures eased notably during August. Input costs rose at the softest pace since November 2020, with the pace of increase slowing for the fifth month running. Although hikes in energy and transportation costs drove inflation, falling prices for some raw materials reportedly dampened the uptick.

The pace of charge inflation also eased further midway through the third quarter. Despite still being historically elevated, the rate of increase slowed to the weakest since August 2021. Greater selling prices were often attributed to the pass-through of higher operating expenses to customers.

Lower production requirements led firms to rein in their input buying again during August. Purchasing activity fell for the fourth month running and at a solid pace. Weak client demand also led to further contractions in stocks as both pre- and post-production inventories declined.

Meanwhile, Greek manufacturers were more upbeat in their expectations regarding the outlook for output over the coming 12 months in August. Confidence reached the highest since May as firms were buoyed by hopes of a pick-up in client demand in the year ahead.



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Survey methodology

The S&P Global Greece Manufacturing PMI® is compiled by S&P Global 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. Data collection began in May 1999.

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.

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