

News Release

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S&P Global Greece Manufacturing PMI[®]

Sharpest decline in operating conditions for two years as demand weakens further

Key findings

Contractions in output and new orders accelerate

Cost pressures soften

Renewed rise in employment

December data signalled a solid decline in the health of the Greek manufacturing sector, according to the latest PMI[®] data from S&P Global. The downturn gathered pace, as demand conditions worsened and output fell further. Total new sales decreased sharply, as foreign client demand also contracted at a quicker pace as the burden of greater energy costs weighed on domestic and external customer spending. Firms saw a return to job creation in December, with output expectations for the year ahead strengthening at the same time. Nonetheless, pressure on capacity was reduced amid lower new order inflows, as backlogs of work fell steeply.

Meanwhile, inflationary pressures softened. Lower prices for some inputs were reportedly passed through to customers as cost burdens and selling prices rose at slower rates.

The seasonally adjusted S&P Global Greece Manufacturing Purchasing Managers' Index[®] (PMI[®]) posted 47.2 in December, down from 48.4 in November. The latest data indicated a solid and faster deterioration in operating conditions at Greek manufacturing firms. The downturn was the quickest in two years.

The decline in output during December was solid overall and at a pace similar to that seen in November. Lower production was commonly attributed to reduced new order inflows and weak customer demand amid marked hikes in costs.

Driving the fall in production was a sharper downturn in client demand. December data signalled the second-fastest decline in new sales for two years. The impact of higher energy costs and broader inflationary pressures reportedly placed strain on customer spending and weighed on demand conditions. Similarly, new exports fell sharply. The contraction in foreign client demand was among the quickest since January 2021.

Inflationary pressures across the Greek manufacturing sector cooled notably at the end of the year. Rates of input price and output charge inflation eased to the slowest since November 2020 and February 2021, respectively. Although

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



Source: S&P Global.
Data were collected 06-16 December 2022.

Comment

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

"December data indicated a downbeat end to 2022 for Greek manufacturers, as contractions in output and new orders gained momentum. Domestic and foreign client demand was dampened further by soaring energy costs and broad-based economic uncertainty.

"Nonetheless, firms were not greatly disheartened by the deterioration in operating conditions. Output expectations for the year ahead strengthened on hopes of an uptick in demand and investment by the end of 2023, and employment return to growth, albeit largely for specialised job roles.

"Above average rates of inflation persisted in December, despite increases in input prices and output charges moderating notably. Selling price rises especially were far above the series trend rate. Elevated inflationary pressures are likely to place further strain on customer spending going into 2023. We currently forecast industrial production to contract 1.6% in 2023 as challenging global demand conditions continue."

still marked and above their series averages, firms reportedly responded to some moderation in input cost increases by offering concessions to customers in an effort to boost new orders.

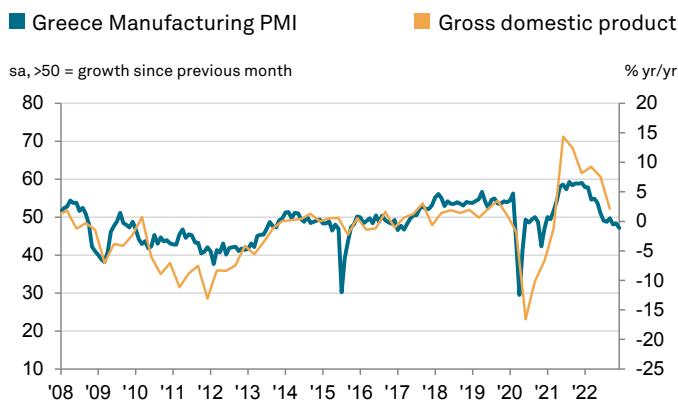
Contributing to the softer rise in cost burdens was a reduction in demand for inputs. December data indicated a solid and faster fall in purchasing activity, as firms opted to use stocks to supplement production and fulfil sales. As a result, both pre- and post-production inventories contracted at sharper rates.

Lower demand for inputs also eased pressure on supplier capacity and supply chains. Vendor performance continued to decline, but to the least marked extent in the current 35-month sequence of deterioration.

Greek manufacturing firms registered a renewed rise in employment at the end of the fourth quarter. Workforce numbers increased for the first time since July, albeit only fractionally. Where job creation was noted, this was linked to the hiring of specialist workers.

Nevertheless, pressure on manufacturing capacity was reduced further in December. Backlogs of work declined sharply and at the fastest rate for just over two years.

At the same time, Greek manufacturers recorded stronger output expectations regarding the year ahead. The degree of confidence ticked up to the highest since May amid hopes of greater client demand and increased investment.



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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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