

News Release

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S&P Global Greece Manufacturing PMI[®]

Operating conditions worsen for the first time since February 2021 amid falling demand

Key findings

Contractions in output and new orders accelerate

Employment expands only fractionally amid spare capacity

Rates of inflation ease notably

Greek manufacturers registered the first decline in operating conditions across the sector since February 2021 in July, according to the latest PMI[®] data from S&P Global. The downturn stemmed from faster contractions in production and new orders, with client demand under greater pressure following price hikes. Weak demand conditions and lower production requirements freed up capacity as backlogs of work fell sharply. In turn, employment rose only fractionally as some firms cut workforce numbers. In contrast to the steep decline in new orders, manufacturers expressed greater confidence in the outlook for output over the coming year amid hopes of a renewed uptick in demand.

Meanwhile, inflationary pressures eased. Input prices and output charges rose at the softest paces since January and August 2021, respectively.

The seasonally adjusted S&P Global Greece Manufacturing Purchasing Managers' Index[®] (PMI[®]) posted 49.1 in July, down from 51.1 in June. The latest headline reading was the first to record below the 50.0 neutral mark since February 2021 and indicated the fastest downturn in the health of the Greek manufacturing sector since December 2020.

Contributing to the overall decline was a second successive monthly fall in output. The decrease in production quickened to the sharpest since the end of 2020 as firms stated that lower new order inflows and challenging demand conditions led to reduced output requirements.

New orders contracted sharply in July, in marked contrast to the strong expansion seen at the start of the year. The rate of contraction accelerated to the fastest since December 2020 as firms highlighted a fall in customer purchasing power following severe inflationary pressures.

At the same time, foreign client demand deteriorated further. New export orders decreased at the steepest pace for a year-and-a-half.

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



Source: S&P Global.
Data were collected 12-22 July 2022.

Comment

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

"The loss of growth momentum seen across the Greek manufacturing sector since the start of the year resulted in the first contraction in operation conditions since February 2021 in July. The impact of inflation on customer spending continued to hamper new sales, as the sharp fall in new orders fed through to lower output.

"That said, inflationary pressures eased notably at the start of the third quarter. Firms passed through any reductions in costs, as selling prices rose at the slowest pace for almost a year.

"Despite ever-present risks to growth remaining substantial, manufacturers were more upbeat regarding output expectations for the year ahead. We currently forecast an increase of 1.7% in industrial production in 2022."

Challenging demand conditions led some firms to scale back their hiring activity at the start of the third quarter. Employment rose only fractionally and at the slowest pace since February 2021, with some companies mentioning a reduction in workforce numbers due to lower new order inflows.

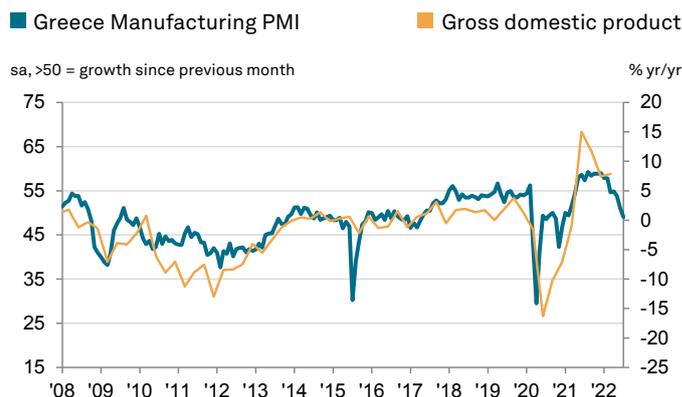
Evidence of spare capacity was shown through a sharp drop in backlogs of work at Greek manufacturers in July. The decrease in work-in-hand was the steepest since early 2021, with firms highlighting sufficient capacity to process incoming new work.

On a positive note, there was some reprieve for manufacturers as the rate of cost inflation eased to the slowest since January 2021. Although still historically elevated, the pace of increase in cost burdens slowed notably from the record rates seen at the end of last year. Where price hikes were reported, these were linked to higher energy, raw material and transportation expenses.

In line with slower increases in cost burdens, firms registered a softer rise in selling prices in July. The rate of charge inflation eased to the slowest since August 2021.

Meanwhile, weak demand conditions resulted in lower purchasing activity at Greek goods producers. The fall in input buying was the fastest since December 2020, while pre-production inventories also declined. Sales made from stock also led to a sharp fall in holdings of finished goods.

Finally, output expectations regarding the year ahead improved in July. Although below the series average, optimism was buoyed by hopes of greater price stability and new sales growth.



Contact

Siân Jones
Senior Economist
S&P Global Market Intelligence
T: +44-1491-461-017
sian.jones@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0)-7967-447030
sabrina.mayeen@spglobal.com

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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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