

Eurozone manufacturing sector continues to expand in November; Greek PMI rises to a 7-month high, but still in contractionary territory

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- The final Eurozone Manufacturing PMI Index rose to its highest level since April 2014 in November (52.8 from 52.3 in October)¹, with the average PMI over the last three months coming in at 52.4 from 50.3 over the same period in 2014 (Figure 1). PMI manufacturing indices stood in positive territory (i.e. greater than the threshold of 50.0 that separates expansion from contraction) for almost all of the euro area member states (with the exception of Greece), with the best PMI readings reported for Italy (54.9), the Netherlands (53.5) and Ireland (53.3).
- The breakdown of the relevant report revealed a further expansion in the Eurozone production and new orders, with rates of growth increasing to their highest level for around one-and-a-half years. In addition, inflows of new business accelerated, while new export orders (including intra-eurozone trade) surged to a six-month high. Germany, Italy and Spain experienced accelerating rates of growth in new export business, while France and Greece were the only countries with declining new export business.
- As far as Eurozone manufacturing employment is concerned, it actually increased in November for the fifteenth month in a row, with the employment growth rate moving to its highest level since August. Companies participating in the PMI survey highlighted that improved new order inflows and higher backlogs of work may have led to enhanced manufacturing workforce. Germany, Italy, Spain, the Netherlands, Austria and Ireland increased employment, while France and Greece reported lower staffing levels with slower rates of reduction compared to the prior month.
- With both output and input prices falling further in November, price pressures in the Eurozone manufacturing sector remained subdued, although the respective rates of deflation have eased over the last couple of months. Almost all of the euro area member states (the exception being Greece) registered lower input prices albeit at slower rates, whereas output prices increased only in Germany, Ireland and the Netherlands.

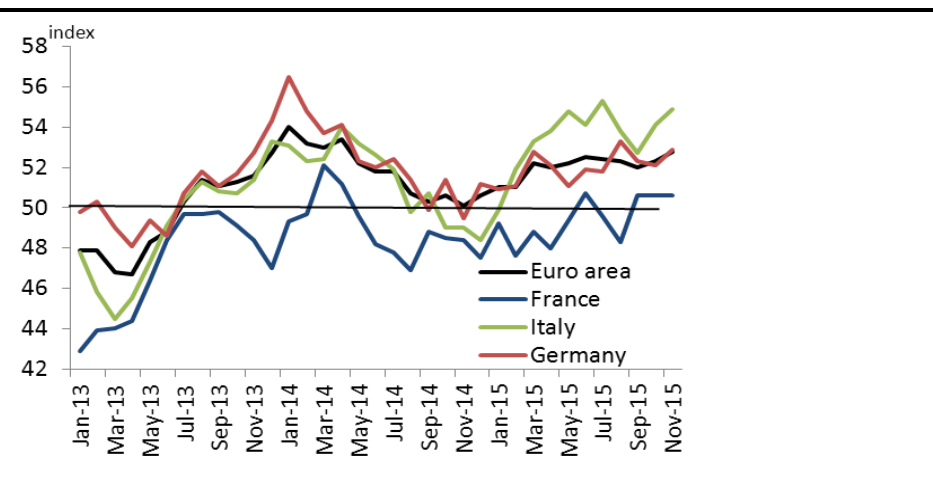
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¹ <https://www.markiteconomics.com/Survey/PressRelease.mvc/e561485ba67b48b785e5fd53e4debc78>

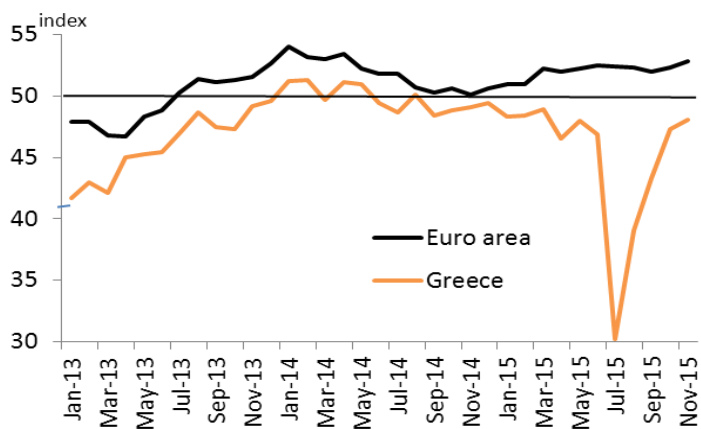
- In Greece, the PMI manufacturing index increased to a seven-month high of 48.1 in November from 47.3 in October, still indicating worsening operating conditions in the Greek manufacturing sector (Figure 2). Lack of demand in the Greek economy resulted in a further decline in the manufacturing production, though the pace of contraction was slight. The declining trend in Greek new orders that started in September 2014 continued well into November 2015, with the rate of contraction accelerating compared to the prior month. Manufacturing output fell slightly on lower demand from domestic and foreign markets, with further drops in stocks of finished goods. Meanwhile, average cost burdens increased for the eleventh consecutive month, with manufacturing companies absorbing higher buying costs and reducing average tariffs. Following falling backlogs of work, employment levels fell for the eighth month in a row.
- It is worth noting that after the initial strong negative disturbances of bank holiday and capital controls (July and August 2015) there is a rebound both in the Economic Sentiment Indicator and in the Purchasing Managers' index in Greece (see Figure 3). This fact maybe interpreted as an indication that the economy is entering in its *first stage of stabilization*.

Figure 1: Manufacturing PMI – Euro area countries experiencing further expansion in manufacturing sectors



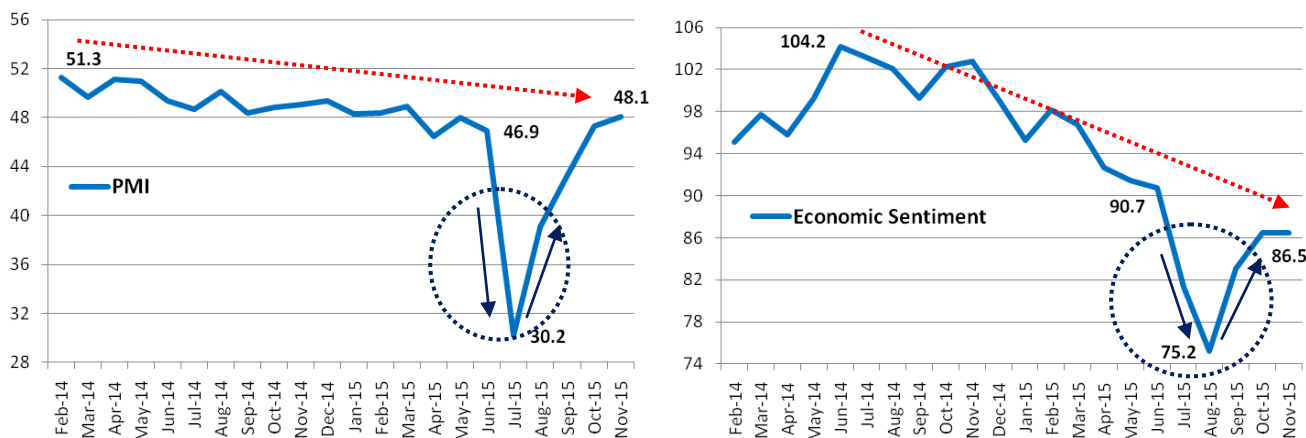
Source: Markit, Bloomberg, Eurobank Economic Analysis and Financial Markets Research

Figure 2: Manufacturing PMI – The manufacturing sectors in Greece compared to the Eurozone



Source: Markit, Bloomberg, Eurobank Economic Analysis and Financial Markets Research

Figure 3: Greek Economic Sentiment Indicator and Purchasing Managers' Index



Source: European Commission, Markit, Eurobank Economic Analysis and Financial Markets Research

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