

News Release

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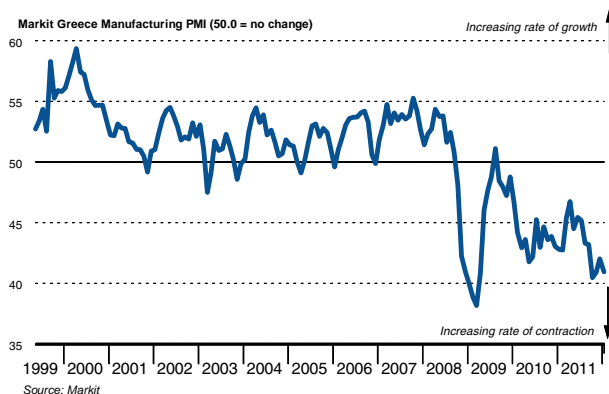
Markit Greece Manufacturing PMI[®]

Survey-record fall in Greek manufacturing output signalled in January

Key points:

- Severe falls in production and new orders drive headline PMI down at start of 2012
- Cash flow and liquidity problems undermining demand and economic activity
- Lack of new sales impacting negatively on payrolls

Historical overview:



Summary:

Greece's manufacturing sector remained deep in recession during January, with output, new orders and employment all declining at severe rates. Issues associated with poor cash flow and liquidity were reported by panellists as key factors impacting negatively on their own business performance and client demand at the start of 2012.

The headline **Purchasing Managers' Index[®] (PMI[®])** – a composite indicator designed to provide a single-figure snapshot of the performance of the manufacturing economy – slipped from December's 42.0 to a reading of 41.0 in January. Remaining well below the 50.0 no-change mark, the headline index signalled another steep deterioration in operating conditions and extended the current period of contraction to 29 consecutive months.

Production fell at a series-record pace in January

(data have been collected since May 1999). Weakness in **new order** volumes remained the primary factor driving output lower, with new business falling severely since the end of 2011. Shortages of liquidity and difficulties with cash flow were reported to have undermined the ability of companies to conduct business in a smooth manner.

New export orders continued to fall during January, but at a relatively modest pace when compared to the deterioration seen for total new business. According to panellists, the fragile economic climate had a negative impact on foreign sales.

Capacity indicators suggested that resource utilisation remained below par, with **backlogs of work** and **employment** both continuing to decline sharply. Lower sales volumes were a primary driver of falls in both outstanding work and payroll numbers.

Cost control was also a consideration amongst those manufacturers cutting their payroll numbers, especially in the face of continued margin pressure. January's survey signalled another rise in **input prices**, albeit the lowest since November 2009, while at the same time panellists indicated the sharpest rate of discounting since May 2009. **Output charges** were reportedly cut as part of efforts to attract new business and in response to markedly lower demand.

Greek manufacturers continued to adapt to the lower demand environment by adjusting stock holdings downwards. Inventories of both **production inputs** and **finished goods** were again cut severely. Reducing the costs associated with holding excess stocks was also a consideration as manufacturers sought to improve liquidity and cash flow positions.

Purchasing activity was also lowered sharply (albeit to a lesser degree than the substantial rates seen in October and November). Despite lower input buying, companies indicated that scarcity of stock at suppliers led to a further deterioration in

vendor performance during January.

Comment:

Paul Smith, Senior Economist at Markit and author of the Greece Manufacturing PMI[®], said:

“The Greek manufacturing sector unfortunately started 2012 much the same way as 2011 ended – in deep recession. Output was cut at a survey record pace as new orders continued to decline severely. With production requirements down and capacity utilisation below par, employment levels are being cut markedly.

“A key theme from January’s survey is the difficulties that Greek companies are facing with liquidity and cash flow. As businesses struggle to access working capital then this implies a vicious cycle, where companies are unable to use credit and usual payment channels to conduct business in a smooth manner. Until this negative feedback loop is broken then it is hard to see the fortunes of the sector improving anytime soon.”

-Ends-

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Notes to Editors:

The Greece Manufacturing PMI[®] (*Purchasing Managers’ Index*[®]) is produced by Markit Economics. The report features original survey data collected from a representative panel of around 350 companies based in the Greek manufacturing sector. The panel is stratified by Standard Industrial Classification (SIC) group, based on the industry contribution to GDP.

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.

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 Markit. Please contact economics@markit.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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About PMIs

Purchasing Managers’ Index[®] (PMI[®]) surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics.

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