

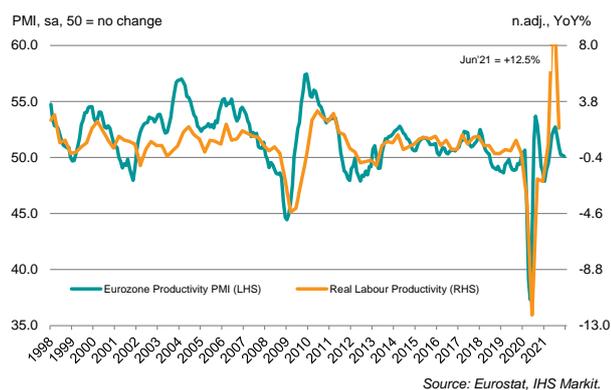
IHS Markit Eurozone Productivity PMI®

Eurozone productivity growth nearly stalls amid efficiency losses at manufacturers

Key findings:

- Headline Productivity PMI only fractionally above 50.0 threshold
- Workforce efficiency among manufacturers worsens at faster rate
- Productivity growth holds steady in service sector

IHS Markit Eurozone Productivity PMI®



Eurozone productivity was broadly stagnant in December, following eight successive months of growth, amid ongoing efficiency losses in the manufacturing industry. Service providers signalled a further expansion, with the rate of increase equal to that seen in November. Among the three nations for which data are published, private sector productivity rose in France and Italy. Germany, meanwhile, posted the fastest reduction since mid-2020.

Falling from 50.2 in November to 50.1 in December, the seasonally adjusted **Eurozone Productivity PMI®** – compiled from IHS Markit’s national manufacturing and services PMI survey data – was indicative of a broadly unchanged level of productivity. The latest reading was the lowest since March 2021 when efficiency losses were last recorded.

The headline figure was pulled down by a further reduction in productivity among goods producers. The

contraction was the third in as many months and the quickest since June 2020. While sustained job creation supported another increase in production during December, according to PMI data, output growth was dampened by lingering supply-chain problems.

On the other hand, eurozone service providers continued to signal efficiency gains at the end of 2021. The rate of expansion was marginal, however, and matched that recorded in November. PMI data pointed to slower increases in both services activity and employment, with growth stymied by the escalation of the COVID-19 pandemic.

Private sector companies in Italy recorded a solid expansion in productivity during December that was the strongest since September. The latest results showed that a moderate upturn in employment underpinned a marked increase in business activity.

Moreover, the increase in Italian productivity was broad-based across the manufacturing and service sectors. Goods producers led the rise with one of the strongest upturns in over a year. Although moderate, growth among service providers picked up to a three-month high and outpaced its long-run average.

December data pointed to back-to-back improvements in workforce efficiency across France, although the rate of expansion was marginal and much slower than in Italy.

Growth in France was confined to the service economy, as manufacturers continued to signal efficiency losses. The reduction was solid, the fifth in consecutive months and quicker than in November. Albeit slight, the expansion in productivity at service providers was the strongest in four months.

For the fourth straight month, private sector productivity in Germany decreased at the end of the

year. The downturn was solid and the fastest since June 2020.

Efficiency losses in Germany were widespread across the manufacturing and service sectors, with the sharper fall in the former. Goods producers noted a marked drop in productivity that was the quickest in one-and-a-half years. Service providers posted a moderate decline that eased from November.

Trends for private sector productivity over the final quarter of 2021 were worse across the board when compared to Q3. Slower rates of expansion were noted in France and Italy, while Germany posted an outright contraction that was the first since the second quarter of 2020. At the eurozone level, the improvement in workforce efficiency was fractional and the slowest since the opening quarter of 2021 when a reduction was recorded.

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Note to Editors:

IHS Markit's Eurozone Productivity PMI indices are derived from data collected from IHS Markit's panels of companies that participate in the Purchasing Managers' Index (PMI) surveys of business conditions across the euro area. The panels are designed to accurately reflect the true industrial, geographical and company size structure of the eurozone manufacturing and service economies.

IHS Markit analyses the output and employment data for each company to produce a single-figure measure of the rate of change of each sector's productivity. This information is weighted together according to the individual country's contribution to the gross value added of that sector at the eurozone level. This figure is then seasonally adjusted. Sectors are weighted together to form the Eurozone Total Productivity PMI.

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.

IHS 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 revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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Productivity PMI Indices: December 2021

	Total	Manufacturing	Services
France	50.5	47.9	51.0
Germany	47.4	45.7	48.3
Italy	52.9	54.6	52.3
EZ	50.1	48.6	50.6

Productivity PMI Indices: Q4 2021

	Total	Manufacturing	Services
France	50.2	47.7	50.7
Germany	47.7	46.7	48.2
Italy	52.7	54.2	52.2
EZ	50.2	49.0	50.6

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