

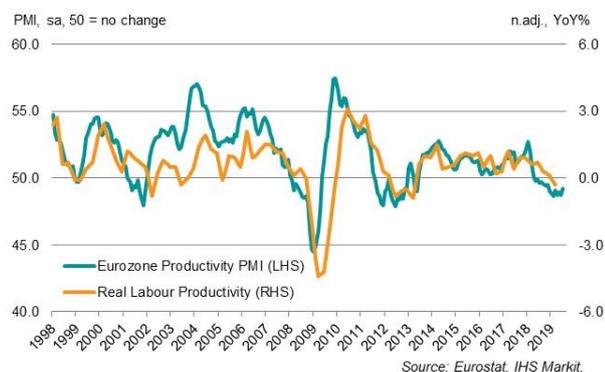
IHS Markit Eurozone Productivity PMI[®]

Downturn in eurozone productivity eases in July

Key findings:

- Slowest deterioration in workforce efficiency since last November
- Rates of contraction moderate in manufacturing and services
- Efficiency losses evident in France, Germany and Italy

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July data highlighted a further deterioration in eurozone labour productivity, thereby stretching the current sequence of reduction to 15 months. However, rates of contraction eased in both the manufacturing and service sectors. Slowdowns were also evident in Germany and France's private sectors, while the fall in Italy was the most pronounced in close to three-and-a-half years.

The seasonally adjusted **Eurozone Productivity PMI[®]** – derived from IHS Markit's national manufacturing and services PMI survey data – rose from 48.8 in June to 49.2 in July, signalling the slowest deterioration in workforce efficiency since November 2018.

Factory productivity decreased for the seventeenth month in a row at the start of the third quarter, albeit to the least extent in eight months. The slowdown reflected a softer deterioration in France and efficiency gains in Italy.

Italian manufacturers noted the first improvement in labour performance since April 2018. That said, the upturn was marginal and below its long-run average.

In France, the latest drop in manufacturing productivity was the second-slowest in the current nine-month period of reduction, faster only than that noted in November 2018. PMI data pointed to marginal declines in both factory output and jobs during July.

German goods producers noted a slightly quicker decline in productivity, with the fall more pronounced than in France. Contractions in employment and output in Germany accelerated to the fastest in 84 and four months respectively, with the latter continuing to post the sharper rate of reduction.

Labour productivity in the eurozone service economy declined to the least extent in three months, reflecting improving trends in the respective sectors of Germany and France.

Productivity in France's service sector stabilised in July, ending a seven-month period of contraction. There were solid increases in business activity and payroll numbers at the start of the third quarter.

German service providers noted the slowest deterioration in workforce efficiency in the current three-month sequence of contraction, one that was only fractional. July data pointed to broadly similar rates of expansion in both services activity and employment.

The worst service-sector trend for productivity was seen in Italy, where the fall was moderate but the quickest in over six years.

Productivity PMI Indices: July 2019

	Total	Manufacturing	Services
France	49.8	49.1	50.0
Germany	48.8	46.7	49.9
Italy	48.7	50.7	48.0
EZ	49.2	48.3	49.5

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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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