

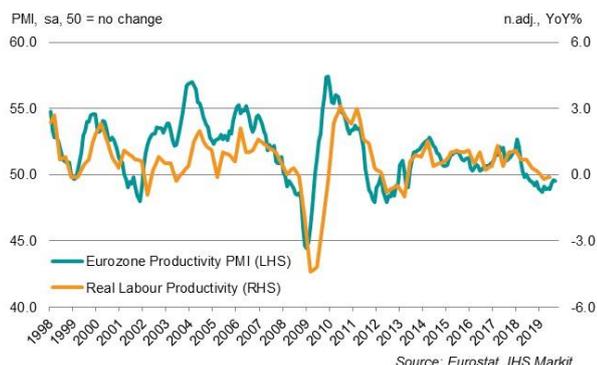
IHS Markit Eurozone Productivity PMI®

Euro area productivity worsens for fifteenth month running

Key findings:

- Further marginal decline in eurozone productivity
- Fall in manufacturing outpaces that for services
- Germany records sharpest reduction in efficiency, with productivity in France broadly unchanged

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The end of the third quarter saw a further marginal decline in productivity in the euro area, with Germany again the worst performer of the three largest eurozone economies. Manufacturing labour efficiency deteriorated to a greater extent than was seen in the service sector. Productivity also worsened across the third quarter as a whole.

The seasonally adjusted **Eurozone Productivity PMI®** – derived from IHS Markit’s national manufacturing and services PMI survey data – ticked down to 49.5 in September from 49.6 in August, thereby signalling a marginal reduction in productivity in the eurozone’s private sector. Productivity has now deteriorated in 15 consecutive months.

While declines in output per worker were seen across both the manufacturing and service sectors at the end of the third quarter, the sharper fall was seen at goods producers. Manufacturing sector productivity has now deteriorated in each month

throughout the past year-and-a-half, although the latest reduction was the softest since September 2018.

Service providers, meanwhile, saw productivity tick down in September, following no change in the previous month.

Of the three largest eurozone economies, Germany continued to be the worst performer in terms of productivity in September. Workforce efficiency fell modestly, and to the greatest extent in three months.

Declines were seen in both manufacturing and services in Germany. Manufacturing production fell more quickly than employment, while the rate of job creation in the service sector outpaced growth of business activity.

Productivity also decreased in Italy during September, the eighth month running in which this has been the case. That said, the pace of decline was the weakest since May. Marginal reductions were seen across both the manufacturing and service sectors.

A relatively positive picture was seen in France, where productivity was broadly unchanged following a rise in August. While labour efficiency declined slightly in manufacturing, this was cancelled out by a second successive improvement in the service sector.

On a quarterly basis, eurozone productivity decreased at a marginal pace, and one that was in line with the monthly figure for September. This was the fifth successive quarter in which labour efficiency has deteriorated.

The only bright spot in the quarterly numbers was provided by the French service sector, with productivity falling elsewhere. As with the monthly figures, Germany was the worst performer of the largest three eurozone economies on a quarterly basis.

Productivity PMI Indices: September 2019

	Total	Manufacturing	Services
France	50.1	49.0	50.4
Germany	48.7	48.4	48.8
Italy	49.5	49.3	49.6
EZ	49.5	48.8	49.8

Productivity PMI Indices: Q3 2019

	Total	Manufacturing	Services
France	50.1	49.0	50.3
Germany	48.8	47.9	49.3
Italy	49.1	49.6	48.9
EZ	49.5	48.1	49.6

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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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Purchasing Managers' Index[®] (*PMI*[®]) surveys are now available for over 40 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 <https://ihsmarkit.com/products/pmi.html>.

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