

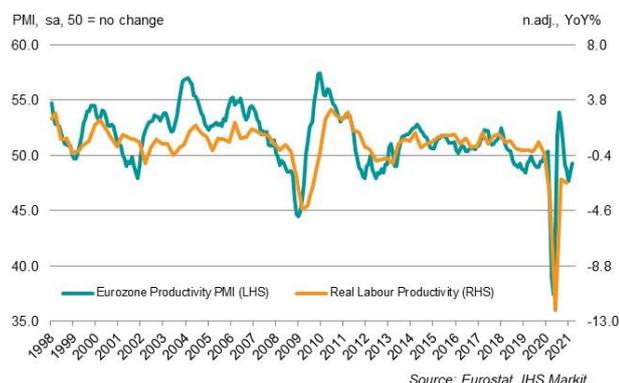
IHS Markit Eurozone Productivity PMI®

Contraction in eurozone productivity eases during March

Key findings:

- Aggregate productivity declines slightly
- Workforce efficiency improves at manufacturers and deteriorates at services firms
- Private sector productivity continues to fall in France and Italy, expands in Germany

IHS Markit Eurozone Productivity PMI®



March data pointed to a fifth successive deterioration in workforce efficiency across the eurozone private sector, amid a further decline at service providers. That said, the overall rate of contraction softened and was only slight, supported by a stronger expansion at goods producers and a slower reduction at services companies. Private sector productivity continued to decrease in France and Italy, while growth was sustained in Germany.

Rising from 48.5 in February to 49.3 in March, the seasonally adjusted **Eurozone Productivity PMI®** – compiled from IHS Markit’s national manufacturing and services PMI survey data – highlighted the weakest deterioration in workforce efficiency in the current five-month sequence of reduction.

Service providers posted efficiency losses for the sixth month running, but the latest decline was the slowest since last October. PMI data for March indicated that a stronger increase in employment pushed business activity towards stabilisation.

In the manufacturing industry, productivity expanded for the ninth consecutive month in March. The rate of growth was marked and a tick higher than that recorded in February.

France posted the worst trend for productivity out of the three countries for which data are published. That said, workforce efficiency worsened only moderately and to the same extent as that registered in February.

French goods producers noted a renewed increase in productivity, following stabilisation in February. PMI data indicated that robust job creation underpinned the sharpest expansion in production for over three years. In the service sector, there was a further decline in productivity and one that was quicker than in the prior month. March data showed that services activity decreased despite solid hiring activity.

Although aggregate productivity decreased in Italy, the pace of contraction was the joint-slowest in the current six-month period of reduction and marginal overall. The slowdown was supported by a softer deterioration in the service economy and sharper growth at goods producers.

Indeed, Italian manufacturers noted the strongest increase in productivity since last October. March data showed that a marked rise in factory jobs drove the steepest upturn in production for over three years. In the service sector, both business activity and employment declined at the end of the first quarter.

Once again, only Germany saw productivity gains at the composite level. The pace of expansion was moderate, but the strongest in 2021 so far. Moreover, the current sequence of growth was extended to nine months.

The upturn was centred on the German manufacturing industry, where the rise in productivity was sharp and above the long-run series average. Factory employment rose for the first time in over two years during March, while output growth hit a survey

peak. In the service economy, faster job creation supported a slight rise in business activity that was the first since last September.

Productivity trends were generally weaker in the opening quarter of 2021 compared to the final quarter of 2020. Aggregate three-month readings for Germany and Italy fell from 53.8 and 48.4 to 51.5 and 47.9 respectively. In France, there was a fractional uptick, from 46.4 in Q4 2020 to 46.5, while the eurozone figure was at 48.5 (down from 49.7).

In the manufacturing sectors of France (50.2), Germany (61.1) and Italy (53.4), productivity growth eased during the first quarter. As a result, the overall reading for the eurozone (55.1) fell to its lowest since the second quarter of 2020.

As for the national services economies, sharper quarterly contractions in Germany (46.5) and Italy (46.0) compared with a weaker decline in France (45.7). Across the eurozone, the fall was the fastest since Q2 2020.

Productivity PMI Indices: March 2021

	Total	Manufacturing	Services
France	47.5	51.1	46.7
Germany	51.9	60.6	47.5
Italy	49.8	54.0	48.3
EZ	49.3	54.9	47.3

Productivity PMI Indices: Q1 2021

	Total	Manufacturing	Services
France	46.5	50.2	45.7
Germany	51.5	61.1	46.5
Italy	47.9	53.4	46.0
EZ	48.5	55.1	46.2

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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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