

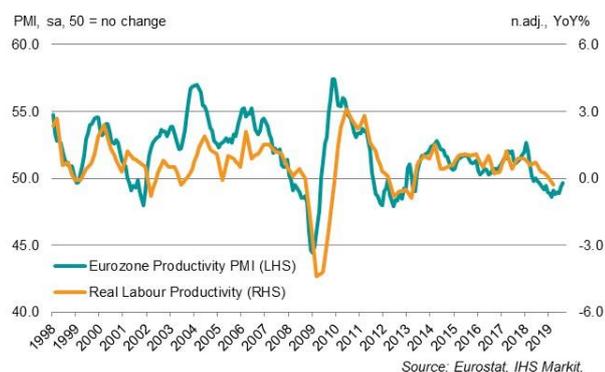
IHS Markit Eurozone Productivity PMI®

Eurozone productivity falls further amid efficiency losses in manufacturing

Key findings:

- Labour efficiency worsens for fourteenth month running
- Manufacturing productivity continues to decline, services sees stabilisation
- Workforce efficiency deteriorates in Germany and Italy, while France registers improvement

IHS Markit Eurozone Productivity PMI®



As has been the case since mid-2018, aggregate eurozone productivity decreased during August. The fall was centred on the manufacturing industry, however, with stabilisation evident in the service economy. Efficiency losses were noted in the private sectors of Germany and Italy, with growth registered in France for the first time since September 2018.

At 49.6 in August, the seasonally adjusted **Eurozone Productivity PMI®** – derived from IHS Markit's national manufacturing and services PMI survey data – signalled a deterioration in labour performance for the fourteenth month in a row. However, rising from 49.3 in July, the latest reading was indicative of a marginal pace of contraction.

Manufacturing was the key source of weakness, where the current sequence of falling productivity was stretched to one-and-a-half years. The contraction was broad-based across France, Germany and Italy.

German goods producers recorded the fastest deterioration in labour performance of the three countries for which data are published, despite the rate of contraction easing to the slowest in nearly a year. August data pointed to marked reductions in both manufacturing production and jobs.

The slowest drop was noted at French manufacturers, with the pace of contraction matching that seen in July and therefore being the joint-slowest in the current ten-month sequence of reduction.

In Italy, manufacturing workforce efficiency worsened marginally, but that compared with renewed during July. Productivity has fallen in 15 of the past 16 months. Production and employment decreased in August.

Eurozone service sector productivity stabilised in August, ending a four-month sequence of contraction. This mainly reflected the strongest improvement in labour efficiency in France since May 2018.

French PMI data showed solid increases in services business activity and employment, with the stronger rate of expansion in the former.

Italian service sector productivity contracted at a sharper rate than in Germany, with its pace of reduction broadly similar to July's six-year high. Both output and employment rose, with growth stronger for the latter.

The rate of contraction in German services productivity accelerated in August, though remained marginal. In contrast to the trend for manufacturing, there were widespread increases in services activity and jobs.

Productivity PMI Indices: August 2019

	Total	Manufacturing	Services
France	50.7	49.3	51.1
Germany	49.0	48.0	49.5
Italy	48.6	49.2	48.3
EZ	49.6	48.6	50.0

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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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