

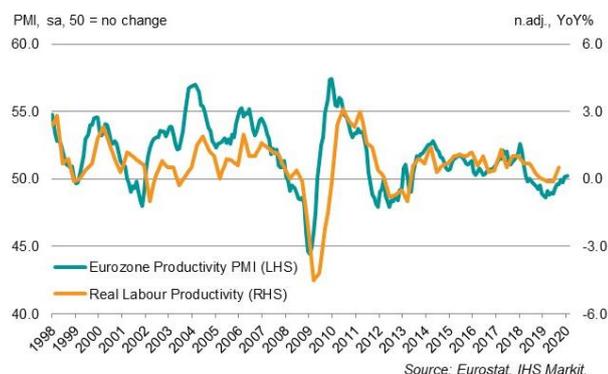
IHS Markit Eurozone Productivity PMI®

Eurozone productivity rises amid improved trends in Germany and Italy

Key findings:

- Efficiency gains evident for second straight month across eurozone's private sector
- Growth accelerates in Germany but comes to a halt in France
- Softer contraction seen in Italy

IHS Markit Eurozone Productivity PMI®



January data highlighted back-to-back increases in private sector productivity across the eurozone. Growth softened marginally in the service economy and manufacturers signalled stabilisation after 22 months of decline.

Germany was the brightest spot, where aggregate workforce efficiency improved for the second straight month. A slower contraction was recorded in Italy, while France posted a deterioration for the first time since last July.

The seasonally adjusted **Eurozone Productivity PMI®** – derived from IHS Markit's national manufacturing and services PMI survey data – was up from 50.1 in December to 50.2 at the start of 2020, signalling the second successive improvement in labour market efficiency after contraction had been recorded for 17 months in a row. That said, the latest reading was indicative of a fractional rate of expansion.

Eurozone service providers continued to signal efficiency gains, but the pace of improvement was fractional and a tick lower than noted at the end of 2019. Goods producers noted a stabilisation in productivity, thereby ending a 22-month sequence of reduction.

Germany was the sole contributor to growth of combined eurozone productivity, with the private sector seeing a second consecutive improvement in labour efficiency. However, the rate of increase remained marginal and below its long-run average.

German manufacturers indicated a second straight rise in productivity, with the pace of reduction in employment outweighing that for production in January. In the service economy, output per head increased for the first time in nine months, albeit fractionally.

Although workforce efficiency across Italy's private sector continued to worsen, the deterioration eased from December and was only fractional. The slowdown stemmed from a softer decline in the manufacturing industry and growth among service providers. Despite being fractional, the upturn noted in the latter was only the second in the past nine months.

After increasing for five months in a row, French private sector productivity fell at the start of 2020. The pace of job creation exceeded that seen for output expansion in January.

Goods producers in France recorded a fifteenth consecutive worsening of productivity. However, the pace of deterioration was modest and the slowest since last October.

In the service sector, the previous five-month sequence of productivity growth came to an end as the respective seasonally adjusted index dipped below the neutral 50.0 mark. That said, the pace of reduction was fractional overall.

Productivity PMI Indices: January 2020

	Total	Manufacturing	Services
France	49.5	48.4	49.8
Germany	50.5	50.9	50.2
Italy	49.8	48.9	50.1
EZ	50.2	50.0	50.3

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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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