

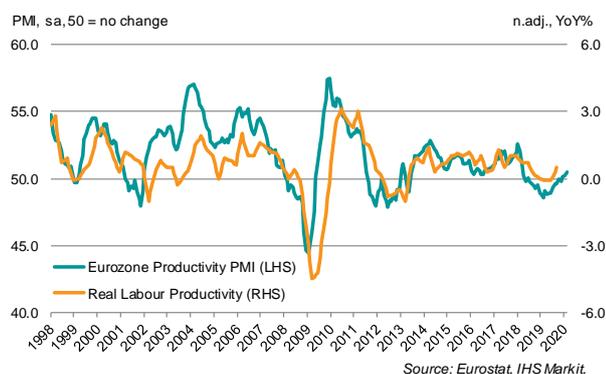
IHS Markit Eurozone Productivity PMI®

Eurozone productivity rises at fastest pace for nearly two years

Key findings:

- Efficiency gains recorded for third straight month across eurozone's private sector
- Growth was centred on productivity gains in Germany
- Further contractions seen in France and Italy

IHS Markit Eurozone Productivity PMI®



Eurozone private sector productivity rose for a third consecutive month during February and at the fastest rate for nearly two years. The efficiency gain was seen across both the manufacturing and service sectors.

From a country perspective, higher workforce efficiency was driven by gains in Germany, while Italy and France both reported further declines.

The seasonally adjusted **Eurozone Productivity PMI®** – derived from IHS Markit's national manufacturing and services PMI survey data – rose from 50.2 in January to 50.5 in February, signalling the strongest improvement in labour market efficiency since March 2018. The latest reading also extended the current trend of rising productivity to three months.

Survey data showed efficiency gains reported by both goods producers and service providers across the eurozone, with the former signalling the first rise in productivity for two years, albeit only marginal. The service sector meanwhile continued to indicate a marginal pace of improvement.

Germany was the sole contributor to growth of combined eurozone productivity, with workforce efficiency rising at a level not seen for two years. That said, the rate of increase was modest and remained below its long-run average.

German productivity gains reflected labour efficiency growth in both the manufacturing and service sectors. The rise in factory productivity accelerated for a second successive month during February, with the rate of increase the fastest since February 2018. This was primarily driven by the rate of decrease in employment outweighing that for production. In the service sector, output per head increased for a second month running and at the fastest pace for nearly a year, albeit one that was marginal overall.

Workforce efficiency across France's private sector worsened further midway through the first quarter as the pace of job creation continued to exceed the gain in output. However, the rate of deterioration eased slightly from January and was marginal overall. The slowdown stemmed primarily from a softer decline in manufacturing productivity, in fact the softest since September 2019. The downturn seen among service providers remained slight.

Italian private sector productivity meanwhile continued to fall in February, marking the third successive month of declining workforce efficiency. The latest rate of deterioration was the same as in January and marginal overall.

Goods producers in Italy recorded a seventh consecutive worsening of productivity, with the pace of deterioration accelerating to the fastest since last April. The pace of contraction in production continued to run faster than the reduction of factory jobs.

In the service sector, efficiency gains were recorded for a second month in a row during February. Despite being marginal, the rate of increase picked up to the fastest for ten months.

Productivity PMI Indices: February 2020

	Total	Manufacturing	Services
France	49.6	49.5	49.6
Germany	51.1	51.7	50.8
Italy	49.8	48.2	50.4
EZ	50.5	50.6	50.4

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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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