

IHS Markit Eurozone Productivity PMI[®]

Productivity growth eases, though remains solid

Key findings:

- Eurozone productivity increases for third month running in September
- Improvement in manufacturing sector reaches decade high
- Modest efficiency gains seen among service providers
- Germany leads the upturn in aggregate productivity, followed by France and Italy

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September data pointed to a third consecutive monthly improvement in workforce efficiency at private sector companies in the eurozone. Despite softening from August's recent high, the pace of expansion was solid. Goods producers saw the steepest rise in productivity since early-2010, while growth softened among service providers. There were efficiency gains across the private sector of the three largest euro area economies, with Germany leading the increase.

Falling from 54.4 in August to 53.5 in September, the seasonally adjusted **Eurozone Productivity PMI[®]** — compiled from IHS Markit's national manufacturing and services PMI survey data — pointed to a softer, albeit solid, rise in productivity. Moreover, the current sequence of growth was extended to three months.

Manufacturing was the key source of growth, with workforce efficiency in the sector improving to the greatest extent in over a decade.

Efficiency gains were likewise recorded in the service economy, though growth was modest overall and the weakest in the current three-month sequence of expansion.

Out of the three eurozone nations for which productivity data are published, Germany posted by far the strongest increase. The improvement seen by private sector firms was the greatest for over 16 years. This was largely reflective of strong efficiency gains among goods producers, the greatest since late-2009. PMI data for September showed that factory production expanded sharply, while employment continued to fall. By comparison, services companies registered a modest rise in productivity that was softer than in August.

Aggregate productivity in France increased for the third month in a row, but at a modest pace that was the weakest over this period. Softer rates of expansion were recorded in the manufacturing and service sectors, with the former seeing the sharper rise. As was the case for Germany, French goods producers recorded output growth despite a reduction in payroll numbers in September.

Italy noted a modest improvement in workforce efficiency that was the weakest of the three largest economies. Growth remained marked in the manufacturing industry, despite easing to the slowest in the current three-month sequence of expansion. In the service sector, the rise was only marginal, having softened from August.

For the third quarter as a whole, productivity trends improved across the private sectors of each of the three largest economies following sharp contractions in Q2. As a result, the improvement across the eurozone was the most marked since the opening quarter of 2011.

Productivity PMI Indices: September 2020

	Total	Manufacturing	Services
France	52.2	53.5	51.9
Germany	56.7	65.0	52.2
Italy	51.6	54.7	50.4
EZ	53.5	58.7	51.5

Productivity PMI Indices: Q3 2020

	Total	Manufacturing	Services
France	53.4	54.4	53.2
Germany	55.0	60.5	52.1
Italy	52.0	55.2	50.8
EZ	53.4	56.8	52.1

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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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