

IHS Markit Eurozone Productivity PMI®

Eurozone productivity rises for first time in over two years during July

Key findings:

- Eurozone's private sector sees productivity gains for first time since June 2018
- Higher efficiency recorded across Germany, France and Italy as well as...
- ...in both manufacturing and service sectors

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The latest survey data indicated a rise in Eurozone private sector productivity during July, marking the first gain in efficiency since June 2018. Moreover, the rate of increase in productivity was the fastest for just over six years. By sector, manufacturing and services both registered productivity improvements, with the former reporting the steeper increase.

The eurozone's three largest economies all saw higher efficiency in July, with France recording the strongest gain in productivity.

The seasonally adjusted **Eurozone Productivity PMI®**, compiled from IHS Markit's national manufacturing and services PMI survey data, rose from 43.5 in June to 52.4 in July, its highest since May 2014. By rising above the 50.0 no-change mark, the latest figure indicated an improvement in productivity at the start of the third quarter.

Efficiency gains in the eurozone were driven by a combination of output returning to growth and employment falling further. While the improvement in productivity was seen across the manufacturing and service sectors, the former reported a faster growth in the rate of increase in efficiency.

July saw a rise in German private sector productivity for the first time in five months, with the rate of improvement accelerating to the fastest for just over five years. The survey indicated efficiency gains across both the manufacturing and service sectors. Goods producers in Germany recorded a noticeably faster efficiency growth than services providers, with the rate of increase in factory productivity the quickest since May 2014 and solid overall. By contrast, the efficiency gain in services was modest, though still the fastest for two-and-a-half years.

French productivity increased in July, after an eight-month period of decline. Moreover, private sector efficiency improved at a rate not seen for over nine years, lifted by solid productivity increases in both manufacturing and service sectors. The overall French productivity improvement was primarily driven by a sharp gain in output while job shedding persisted.

Finally, workforce efficiency across Italy's private sector improved for the first time in 14 months during July. The improvement was led by a marked rise in productivity in the goods producing sector, where the rate of increase surged to the fastest for over nine years. In contrast, service sector efficiency was broadly unchanged on June, though still represented a much-improved picture from substantial declines recorded each month between March and June.

Productivity PMI Indices: July 2020

	Total	Manufacturing	Services
France	54.0	54.5	53.8
Germany	52.5	54.3	51.6
Italy	51.4	55.7	49.9
EZ	52.4	53.8	51.8

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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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