

IHS Markit Eurozone Productivity PMI[®]

Slowest contraction in eurozone productivity since mid-2018

Key findings:

- Deterioration in workforce efficiency softens to fractional pace
- Weaker fall in manufacturing productivity compares with fractional rise in services
- Strongest improvement in labour efficiency across France for 17 months partly offsets ongoing declines in Germany and Italy

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Euro area productivity declined only fractionally in October, and to the least extent in the current 16-month sequence of contraction, reflecting improved trends in the manufacturing and service sectors. Nationally, France was the brightest spot as labour market efficiency improved at the strongest pace in nearly one-and-a-half years. Germany posted the slowest fall since September 2018, with the rate of reduction in Italy matching that seen in the prior month.

Posting 49.9 in October, the seasonally adjusted **Eurozone Productivity PMI[®]** – derived from IHS Markit's national manufacturing and services PMI survey data – highlighted only a fractional deterioration in workforce efficiency. Moreover, the headline figure rose from 49.6 in September to its highest mark since mid-2018 to signal a slower pace of reduction.

Service sector productivity rose at the start of the final quarter, albeit fractionally, while the downturn in the manufacturing industry moderated to the weakest since June 2018.

Among the three largest eurozone economies, Germany remained the weakest link regarding productivity. That said, the contraction seen in October was the slowest in over a year. This reflected a fractional improvement in workforce efficiency across the manufacturing industry, which ended a 19-month period of deterioration. In the service economy, productivity fell at the fastest pace in one-and-a-half years. Services activity rose only modestly in October, which compared with solid job creation.

A slight fall in productivity was noted in the Italian private sector, with the pace of reduction unchanged from September. A slower decline was registered in the service economy, the weakest in six months. At the same time, goods producers recorded the quickest drop since April, with production falling at a much faster pace than employment.

Once again, France noted the best trend for productivity. The rise signalled in October was the third in as many months and the quickest since May 2018. The improved performance was centred on the service sector, where labour efficiency strengthened to the greatest extent in just under a year-and-a-half. In comparison, the current stretch of falling productivity at manufacturers was extended to 14 months, with the pace of contraction the joint-quickest since February.

Productivity PMI Indices: October 2019

	Total	Manufacturing	Services
France	51.0	48.3	51.6
Germany	49.0	50.1	48.4
Italy	49.5	48.6	49.9
EZ	49.9	49.2	50.1

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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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About PMI

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