

IHS Markit Eurozone Productivity PMI[®]

Eurozone productivity rises for first time in 20 months at end of 2019

Key findings:

- Fractional improvement in eurozone workforce efficiency
- Gains in service sector offset losses in manufacturing
- Aggregate productivity increases in France and Germany; falls in Italy

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Euro area productivity increased for the first time since April 2018 at the end of the year, albeit fractionally. The improvement was underpinned by renewed growth in the service economy as goods producers continued to record contraction. Of the three eurozone countries for which productivity data are published, efficiency gains were noted in France and Germany, with Italy continuing to post deterioration.

Registering 50.1 in December, the seasonally adjusted **Eurozone Productivity PMI[®]** – derived from IHS Markit's national manufacturing and services PMI survey data – was in expansion territory for the first time in 20 months. The latest figure was up from 49.7 in November, but indicated only a fractional improvement in workforce efficiency.

While the service sector saw the quickest rise in productivity since March 2018, the downturn in the manufacturing industry continued. Eurozone goods

producers signalled the twenty-first successive deterioration in labour market efficiency.

French companies fared better than their counterparts in Germany and Italy, posting the best trend for private sector productivity during December. The favourable outcome was underpinned by a fifth consecutive improvement among service providers. By comparison, French goods producers signalled the sharpest rate of contraction since last February.

Germany recorded the first increase in private sector productivity in almost two years. That said, the rate of expansion was fractional overall as renewed growth in the manufacturing industry was partly offset by a further contraction in the service economy. Still, the extent of the deterioration among service providers was the least marked in the current eight-month sequence of efficiency losses.

Italy was the only monitored nation in which composite productivity declined in December. Moreover, the fall was the eleventh in as many months and the quickest since August 2019. Goods producers recorded a faster reduction in productivity than seen mid-quarter, though one that was slight overall. In the service sector, the brief improvement noted in November was followed by the quickest deterioration in workforce efficiency for four months.

The positive result for total eurozone productivity recorded in December contributed to a less pronounced fall in the final quarter of 2019, with the average reading of 49.9 being the highest since the second quarter of 2018. Over the latest quarter, trends for labour market efficiency improved across the three nations monitored. In Germany (49.4), the decline was the slowest in five quarters, while the downturn in Italy (49.5) was the weakest since Q1 2019. France (50.7) was the only country to record growth over the fourth quarter as a whole, with the upturn the strongest since Q2 2018.

Productivity PMI Indices: December 2019

	Total	Manufacturing	Services
France	50.6	47.9	51.2
Germany	50.1	50.7	49.8
Italy	49.1	48.6	49.3
EZ	50.1	49.3	50.4

Productivity PMI Indices: Q4 2019

	Total	Manufacturing	Services
France	50.7	48.3	51.2
Germany	49.4	50.3	49.0
Italy	49.5	48.7	49.8
EZ	49.9	49.3	50.2

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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

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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