Eurozone productivity falls at fastest pace for 11 years

Key findings:
- Efficiency losses recorded for twentieth straight month across eurozone’s private sector
- Broad-based decline in productivity with…
- … sharp contractions seen in France and Italy

Eurozone private sector productivity fell for a twentieth consecutive month during March and at the fastest rate since the height of the global financial crisis in February 2009. The efficiency loss was seen across both the manufacturing and service sectors, with the latter suffering a much sharper productivity decline.

From a country perspective, falling workforce efficiency was driven by losses in the eurozone’s three largest economies, with Italy reporting the fastest fall.

The seasonally adjusted Eurozone Productivity PMI® – derived from IHS Markit’s national manufacturing and services PMI survey data – fell from 49.7 in February to 45.1 in March, signalling the worst deterioration in labour market efficiency since February 2009. The latest reading also extended the current trend of falling productivity to 20 months.

Survey data showed efficiency losses reported by both goods producers and service providers across the eurozone, with the latter signalling the sharpest fall in productivity in the 22-year series history. The manufacturing sector meanwhile indicated only a modest pace of deterioration.

Growth in German workforce efficiency for the previous three months came to an end in March, with productivity falling at a level not seen for just over a year.

German productivity decline reflected labour efficiency losses in both the manufacturing and service sectors, with a particularly steep reduction in the latter. The drop in services productivity was the first for three months, with the rate of decrease the fastest for nearly 11 years. This was primarily driven by the rate of decline in output outweighing that for employment, though both still reported severe falls. In the manufacturing sector, output per head fell for the first time in six months, though at a pace that was marginal overall.

Workforce efficiency across France’s private sector worsened for a third straight month during March, with the rate of deterioration accelerating sharply from February to one that was steep overall. This stemmed from the fall in output being considerably more severe than the decline in employment. The productivity loss was led by a faster decline in services productivity, in fact, the fastest on record. The downturn seen among manufacturers meanwhile was modest.

Italian private sector productivity continued to fall in March, marking the tenth successive month of declining workforce efficiency. Moreover, the latest deterioration accelerated sharply to the fastest pace since the start of 2009 and was steep overall.

Goods producers in Italy recorded an eighth consecutive worsening of productivity, with the pace of deterioration accelerating to the fastest for 11 years. In the service sector, efficiency losses were recorded for a tenth month in a row during March. Furthermore, the rate of decrease picked up sharply to the fastest seen in the 22-year series history.
Productivity PMI Indices: March 2020

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Productivity PMI Indices: Q1 2020

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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.

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