

IHS Markit Eurozone Productivity PMI®

Productivity growth hits eight-month high in May

Key findings:

- Moderate increase in eurozone productivity
- Renewed expansion at services firms complements sustained rise at manufacturers
- Germany sees faster upturn in aggregate productivity than Italy, France notes further fall

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May data pointed to a moderate increase in eurozone private sector activity that was the fastest since last September. The rise was led by the manufacturing industry, where growth was substantial. There was a renewed, but fractional, upturn in the service economy. Aggregate output per worker expanded at accelerated rates in Germany and Italy, while France posted another contraction.

Rising from 50.4 in April to 51.7 in May, the seasonally adjusted **Eurozone Productivity PMI®** – compiled from IHS Markit’s national manufacturing and services PMI survey data – indicated the strongest improvement in workforce efficiency in eight months. In May, a marked expansion in employment supported the fastest increase in business activity since February 2018.

The latest rise in manufacturing sector productivity took the current stretch of expansion to 11 months. Moreover, the rate of growth was marked, outpaced its long-run average and hit a five-month high.

After recording deteriorations in workforce efficiency for seven months in a row, service providers registered a mild improvement during May.

The best trend for aggregate productivity was seen in Germany, where the latest increase was solid and the strongest in the year-to-date. Manufacturers noted efficiency gains for the eleventh consecutive month, with the upturn little-changed from April’s three-month high. PMI data for May signalled substantial expansions in both employment and production, with the stronger rise for the latter.

German service providers continued to signal efficiency losses. That said, the pace of deterioration was slight and the weakest in the current seven-month sequence of contraction. The pace of job creation outpaced that for output growth during May.

Out of the three eurozone nations for which productivity data are published, only France recorded a decline. Nevertheless, the pace of reduction was fractional and the slowest in the current eight-month sequence of contraction.

The downturn in France was centred on the service economy, where workforce efficiency worsened for the eighth month running. Growth was sustained at goods producers and in fact improved to the strongest since last September. May data indicated that a solid rise in factory employment pushed production growth to a 40-month high.

Private sector companies in Italy noted a second straight rise in productivity. The rate of expansion was only slight, though broadly in line with its long-run average.

Productivity growth in Italy was led by manufacturers, although there was a renewed increase among services companies. The expansion seen among the latter was fractional overall, but ended a seven-month sequence of reduction. PMI data pointed to a stabilisation of services jobs and a solid rise in activity.

Productivity PMI Indices: May 2021

	Total	Manufacturing	Services
France	49.8	52.5	49.2
Germany	52.5	59.5	49.0
Italy	51.1	53.3	50.3
EZ	51.7	55.7	50.3

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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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