

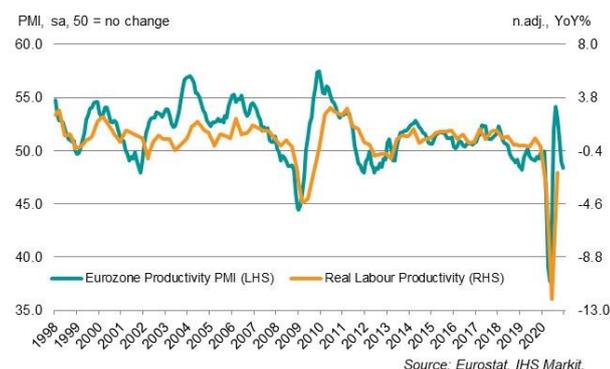
IHS Markit Eurozone Productivity PMI®

Contraction in eurozone productivity accelerates at year end

Key findings:

- Workforce efficiency deteriorates for second month running
- Productivity rises sharply at goods producers, but declines at services firms
- Private sector productivity continues to fall in France and Italy, increases in Germany

IHS Markit Eurozone Productivity PMI®



With lockdown measures aimed at halting the spread of the coronavirus disease 2019 (COVID-19) pandemic in place across most European nations, eurozone productivity decreased for the second straight month in December. The contraction reflected a sharp and accelerated deterioration in the service economy, while manufacturers posted efficiency gains. Private sector productivity declined in Italy and France, but growth was sustained in Germany as expansion in the manufacturing industry more than offset a fall among service providers.

At 48.4 in December, the seasonally adjusted **Eurozone Productivity PMI®** – compiled from IHS Markit's national manufacturing and services PMI survey data – was in contraction territory for the second straight month. Moreover, falling from 49.0 in November, the latest reading signalled a quicker pace of reduction. Over the fourth quarter of 2020 as a whole, the PMI averaged 49.5. This was down from 53.0 in the third quarter of the year.

The service sector was the key source of weakness, where productivity fell for the third month in a row and to the greatest extent since June. At the same time, manufacturers noted a substantial improvement in workforce efficiency.

France noted a sharp decline in private sector productivity, one that was quicker than any seen prior to the COVID-19 outbreak. PMI data for December showed a stabilisation in headcounts and a further contraction in output.

In the French manufacturing industry, productivity stagnated. This ended a five-month sequence of expansion. Service providers meanwhile signalled a third successive deterioration in workforce efficiency. Moreover, the rate of contraction was sharp and among the quickest seen in the history of the series.

December data showed a third consecutive decline in Italian private sector productivity. The rate of reduction was marked and accelerated from November, but was softer than the average for 2020.

Italian goods producers noted a modest improvement in workforce efficiency that was the weakest in the current six-month period of expansion. At the same time, a sharp and accelerated deterioration was registered in the service sector. The pace of reduction was the quickest since June. While factory output and jobs rose in December, services activity and employment declined sharply.

As has been the case since October, Germany was the only nation to post growth of private sector productivity in December. The rise was the sixth in successive months, albeit moderate and the slowest since July.

German manufacturers recorded a sharp expansion in productivity, with December seeing a substantial increase in production despite a marked fall in employment. Service providers, on the other hand, registered efficiency losses for the second straight

month. The pace of reduction was marked and quickened from November.

For the final quarter of the year, the productivity PMI averages for all of the 'big-three' eurozone nations were down from the third quarter of 2020. However, while quarterly contractions were noted in France (46.4) and Italy (47.8), growth was sustained in Germany (53.9).

Finally, the manufacturing sectors of the three nations for which data are published all saw productivity gains in the fourth quarter. Service providers in Italy, France and Germany all noted reductions.

Productivity PMI Indices: December 2020

	Total	Manufacturing	Services
France	44.9	50.0	43.8
Germany	52.7	64.9	46.1
Italy	46.4	52.2	44.4
EZ	48.4	57.1	45.2

Productivity PMI Indices: Q4 2020

	Total	Manufacturing	Services
France	46.4	50.7	45.4
Germany	53.9	65.3	47.8
Italy	47.8	53.2	45.9
EZ	49.5	57.6	46.5

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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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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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