

IHS Markit Eurozone Productivity PMI®

Eurozone productivity rises at fastest rate since September 2020

Key findings:

- Strongest improvement in workforce efficiency in nine months
- Manufacturers register quicker increase than service providers
- Private sector productivity expands in France, Germany and Italy

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Eurozone productivity rose for the third month running in June, as improved confidence surrounding the outlook continued to foster job creation and output growth. Moreover, with efficiency gains remaining strong among manufacturers and gathering pace at service providers, the overall rate of expansion hit a nine-month high. Increases were evident in each of the three nations for which data are published: France, Germany and Italy.

Registering 52.2 in June, the seasonally adjusted **Eurozone Productivity PMI®** – compiled from IHS Markit’s national manufacturing and services PMI survey data – was in expansion territory for the third consecutive month. Moreover, rising from 51.9 in May, the latest reading pointed to the quickest rate of growth since September 2020.

In the manufacturing industry, the current stretch of growth was extended to a year. Despite easing to the

weakest in four months, the rate of increase was marked and outpaced the long-run series average.

Eurozone service providers recorded back-to-back increases in productivity, with the rate of expansion being slight but the fastest in ten months.

Italy shared the top spot for private sector productivity growth with Germany during June. Italian companies saw the strongest rate of expansion in close to three-and-a-half years, with quicker increases evident among goods producers and services firms.

In the Italian manufacturing industry, growth accelerated to the strongest in ten months and far outpaced the long-run series average. PMI data for June pointed to sharp increases in both employment and production. Concurrently, efficiency gains across the service sector were the best in just over two years. Employment expanded modestly at the end of the second quarter, while services activity growth hit a 41-month high.

Germany posted a slower improvement in combined workforce efficiency, but one that was solid by historical standards. Trends were mixed at the sector level, with growth easing to an 11-month low in manufacturing and a further decline in productivity registered at services companies. PMI data showed that jobs and output expanded in both sectors during June.

French private sector productivity rose for the second consecutive month midway through 2021. Despite quickening from May, the pace of expansion was only slight and remained below the long-run series average.

Goods producers in France recorded efficiency gains for the fifth month running, but growth eased to the weakest since March and was below trend. There was a renewed increase in productivity in the service economy, which ended an eight-month sequence of reduction.

At the aggregate level, Q2 trends for productivity were better than in the opening quarter of 2021. There was a stabilisation in France, a renewed increase in Italy and stronger growth in Germany. For the eurozone, the quarterly figure was up from 48.7 to 51.5.

The upward movements stemmed from improved results in the service sector, with respective readings for France, Germany and Italy increasing from 46.2, 46.7 and 46.4 to 49.5, 48.6 and 50.6. At the eurozone level, the services figure rose from 46.5 in Q1 to 50.2.

As has been the case on a quarterly basis for a year, all three nations for which data are published posted growth of manufacturing productivity. The strongest performer in Q2 was Germany (58.8), followed by Italy (54.4) and then France (52.0).

Productivity PMI Indices: June 2021

| | Total | Manufacturing | Services |
|-----------|-------------|---------------|-------------|
| France | 51.3 | 51.7 | 51.2 |
| Germany | 52.0 | 57.5 | 49.2 |
| Italy | 52.0 | 54.7 | 51.1 |
| EZ | 52.2 | 54.7 | 51.3 |

Productivity PMI Indices: Q2 2021

| | Total | Manufacturing | Services |
|-----------|-------------|---------------|-------------|
| France | 50.0 | 52.0 | 49.5 |
| Germany | 52.1 | 58.8 | 48.6 |
| Italy | 51.6 | 54.4 | 50.6 |
| EZ | 51.5 | 55.3 | 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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