

IHS Markit Eurozone Productivity PMI®

Service sector drives further deterioration in aggregate productivity

Key findings:

- Private sector productivity decreases for third straight month in January
- Efficiency losses at service providers outweigh gains at manufacturers
- Contractions in combined productivity accelerate in France and Italy, growth eases in Germany

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Private sector companies in the eurozone noted a quicker deterioration in workforce efficiency at the start of 2021, the fastest since last June. The drop was caused by a marked and accelerated reduction in productivity across the service sector, with growth sustained in the manufacturing industry. Among the three nations for which data are published, contractions were recorded in France and Italy. Germany registered expansion, albeit the weakest in seven months.

The seasonally adjusted **Eurozone Productivity PMI®** – compiled from IHS Markit’s national manufacturing and services PMI survey data – fell from 48.4 in December to 47.4 in January, pointing to the quickest deterioration in workforce efficiency since June. Moreover, the latest decline took the current sequence of reduction to three months.

The main drag in the headline figure was the service sector. Heavily impacted by coronavirus disease 2019 (COVID-19) restrictions and future uncertainty, service providers continued to lower employment in January. Although job shedding eased at the start of 2021, business activity contracted at a faster rate. Concurrently, productivity fell to the greatest extent since last June.

Eurozone manufacturers also reduced headcounts in January, according to PMI data. However, factories continued to signal production growth. Subsequently, productivity rose for the seventh month running. The pace of expansion was marked, but eased to the weakest since July.

Germany was the only nation for which productivity data are published to register efficiency gains across the private sector. That said, the pace of expansion was slight overall and the slowest in the current seven-month sequence of growth.

German goods producers noted a sharp improvement in workforce efficiency that was much stronger than the series average. PMI data indicated that output growth remained strong in January, despite another decline in payroll numbers. In the service economy, the latest deterioration in productivity was the quickest since last June and solid overall.

France saw a stronger fall in private sector productivity than Italy, one that was marked and the fastest in the current four-month sequence of reduction.

French companies in both the manufacturing and service sectors recorded efficiency losses, with the sharper deterioration among the latter. While employment and output decreased at goods producers, services firms saw a sharper decline in business activity despite a slight uptick in headcounts.

Productivity in the Italian private sector continued to fall in January, taking the current sequence of

contraction to four months. Moreover, the pace of reduction was solid and the fastest since last June.

Italian service providers noted the quickest deterioration in workforce efficiency since mid-2020. Furthermore, over the past 20 months growth was only recorded last August. Conversely, goods producers posted efficiency gains for the seventh straight month. The pace of expansion was modest, however, and the weakest over this sequence.

Productivity PMI Indices: January 2021

	Total	Manufacturing	Services
France	44.4	49.2	43.3
Germany	51.3	61.6	45.8
Italy	45.7	52.3	43.3
EZ	47.4	55.2	44.5

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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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