

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
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## Markit Eurozone Retail PMI®

### Retail sales rise in final month of 2016

#### Key points:

- Eurozone retail sales boosted by upturns in Germany and France
- Purchase prices rise at fastest rate in over one-and-a-half years
- Broad-based rise in sector employment

Data collected December 6-20

Latest Eurozone Retail PMI® survey data showed a lift in sales in the final month of 2016, reflecting growth across both Germany and France. However, Italian retailers endured another month of falling sales, with the pace of decline slightly faster than in November.

Adjusted for the impact of usual seasonal factors, the seasonally adjusted headline Markit Eurozone Retail PMI – which tracks month-on-month changes in like-for-like retail sales in the bloc's biggest three economies combined – registered 50.4 in December, up from November's 48.6. That signalled a rise in sales for the first time in four months, albeit marginal.

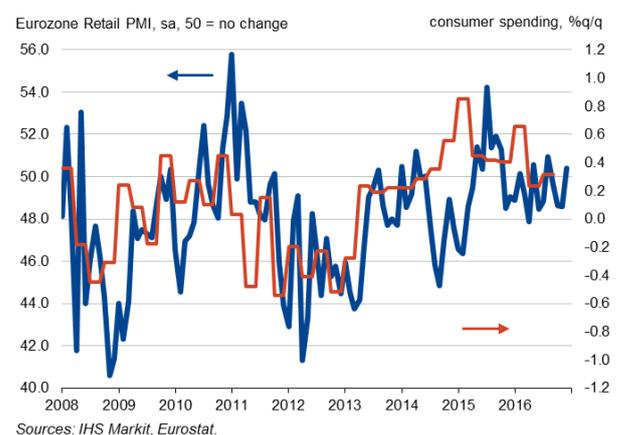
However, sales were down on average compared with the corresponding month the year before. Of the big-three, only Germany saw sales rise on a year-on-year basis.

Phil Smith, economist at IHS Markit which compiles the Eurozone Retail PMI survey, said:

*“While sales did rise in December, the increase was only slight and followed three months of decline, leaving sales down on the same period in 2015.*

*“Germany was the best performer on the retail front throughout 2016, and December was no exception. France’s performance over the year was mixed, but a last-minute uptick in sales contributed to ongoing job creation and a slight improvement in firms’ margins. Italian retailers were unable to join the party, however, seeing sales fall again in December.”*

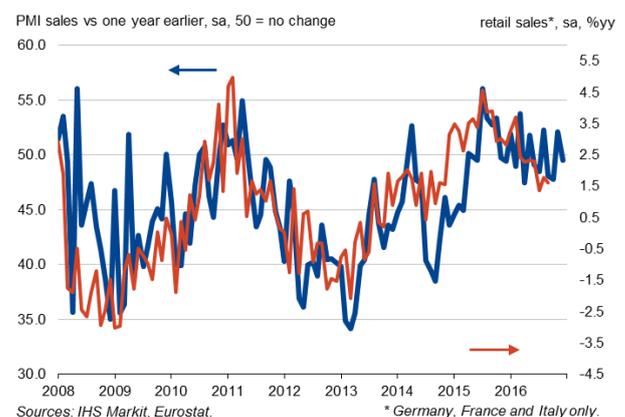
#### Eurozone Retail PMI



#### Retail PMI summary (December)

Eurozone	50.4	4-month high
Germany	52.0	3-month high
France	50.4	4-month high
Italy	47.9	2-month low

#### Eurozone retail sales vs. one year ago



## Data summary:

Index	Nov-16	Dec-16	Description	Rate
<b>PMI (Month-on-month sales)</b>	<b>48.6</b>	<b>50.4</b>	<b>Expanding</b>	change of direction
Year-on-Year Sales	▲	▼	Contracting	change of direction
Sales vs Plans	▲	▼	Lower	faster
Expected Sales vs Targets	▲	▼	Higher	slower
Gross Margins	▲	▼	Contracting	faster
Purchase Prices	▲	▲	Rising	faster
Quantity of Purchases	▲	▲	Expanding	slower
Stocks of Goods	▲	▼	Expanding	slower
Employment	▼	▼	Expanding	slower

▲ Above 50, rising      ▲ Below 50, rising  
▼ Above 50, falling      ▼ Below 50, falling

Source: IHS Markit.

Both **Germany** and **France** saw retail sales return to growth in December, with the former recording the stronger overall monthly rise. In the case of France, this ended a three-month run of decline. **Italian** retailers, on the other hand, recorded a drop in sales on a seasonally adjusted basis, though the rate of contraction was the second-slowest seen since last February (behind November's modest decrease).

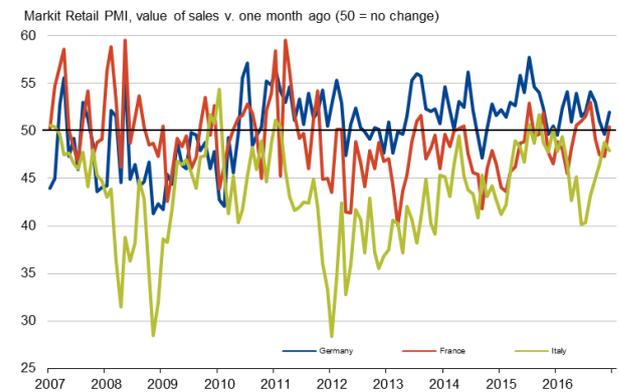
Sales in December were generally below retailers' **targets**, and the extent of the shortfall was little-changed from that recorded in November. Italian retailers were the biggest underperformers, followed by those in France. Meanwhile, **sales forecasts** for the month ahead were relatively subdued.

Retailers' **gross margins** remained under considerable pressure in December, falling at a solid and slightly accelerated rate. Contributing to this was a pick-up in the rate of **purchase price inflation** facing retailers, to the joint-fastest since February 2014.

The **value of goods bought for resale** by retailers increased again in December, in line with the trend seen throughout the final quarter of 2016. This in turn contributed to an accumulation of **stocks**, which have risen continuously on a monthly basis since last February.

December also saw ongoing growth in retail sector **employment**. As was the case in November, the increase in payroll numbers was broad-based by country and led by France. That said, the respective rates of job creation were modest overall.

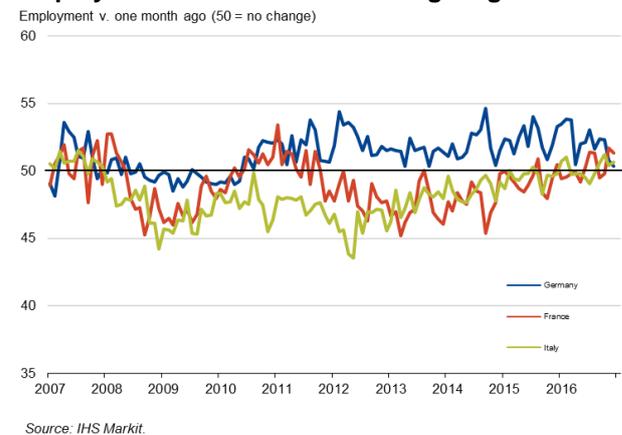
## Retail sales by country



## Wholesale price inflation at 19-month high



## Employment levels continue to edge higher



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**Notes to Editors:**

"PMI" is an acronym for *Purchasing Managers' Index*, a type of survey originally developed for tracking business conditions in the manufacturing sector. Markit now uses 'PMI' to describe the methodology used for surveys also undertaken in the services, construction and retail sectors. For the Retail PMI, Markit has recruited a representative panel of retail companies in France, Germany and Italy. Together, these three countries account for approximately 62% of total eurozone retail sales by value. The panel includes large chain retailers as well as smaller retailers to ensure balanced representation of the true structure of the eurozone retail sector. Similarly, the composition of the panel by classification of retailer (i.e. type of good sold) is monitored to ensure accurate representation. Markit ensures the correct structure remains in place over time and that response rates remain sufficiently high to generate reliable economic data.

The Retail PMI surveys cover the following specific sectors. The definition of the retailers included in each sector is shown along with the Standard Industrial Classification (SIC) codes of the companies included in each sector.

- Clothing & Footwear: Retail sale of clothing, footwear and leather goods (SIC 5242 & 5243)
- Food & Drink: Retail sale of food, beverages and tobacco (SIC 5210 & 5220)
- Household Goods: Retail sale of household goods (SIC 5240, 5241, 5244-5248)
- Autos & Fuel: Sale of motor vehicles and motorcycles; Retail sale of automotive fuel (SIC 5000)
- Pharmaceuticals: Retail sale of pharmaceutical and medical goods, cosmetic and toiletries (SIC 5230)
- Other (included in total only): Other retail not in stores (SIC 5250 & 5260)

Retail PMI sector data are available only at aggregate eurozone level and not at an individual country level. Where the activities of a retailer on the survey panel encompass more than one of the sector definitions shown above, the retailer is classified to the sector which accounts for the majority of its sales turnover.

Data collection occurs via the completion of questionnaires by survey panel members during the second half of each month. The percentage figures of companies reporting an improvement, deterioration or no change for each survey variable are converted into a single-figure "diffusion index" for each variable. Diffusion indexes vary between 0 and 100, with a reading of 50.0 signalling no change on the previous month. Readings above 50.0 signal growth on the previous month and readings below 50.0 signal contraction. The greater the divergence from 50.0, the greater the rate of change signalled.

The methodology includes the automatic weighting of each survey response in order to ensure that the effect of each response on the final figure is proportional to the size of the responding company. The use of the diffusion index methodology means that the results for the Retail PMI will be directly comparable with PMIs for other sectors, such as manufacturing, services and construction.

Where appropriate, diffusion indexes are adjusted in order to allow for seasonal variations and thereby provide easier identification of the underlying trend in the data. Seasonal adjustment is not possible at product sector level. 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 subsequently revised data are available to subscribers from Markit. For further information please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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*Purchasing Managers' Index*® (PMI)® surveys are now available for over 30 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to [www.markit.com/product/pmi](http://www.markit.com/product/pmi).

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