

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

Eurozone retail sales growth slows to 5-month low in January

Key points:

- Headline Retail PMI falls to 50.8 from 53.0 in December
- Sales rises for record tenth month running
- Gross margins squeezed to greater extent

Data collected January 12-29

Like-for-like sales at eurozone retailers increased for the tenth time in as many months during January, the longest period of growth in the series history. That said, the rate of growth slowed, reflecting softer increases in Germany and France, while a decline was evident in Italy.

The headline IHS Markit Eurozone Retail PMI® – which tracks the month-on-month changes in retail sales in the bloc’s biggest three economies combined – fell to 50.8 in January, from 53.0 in December.

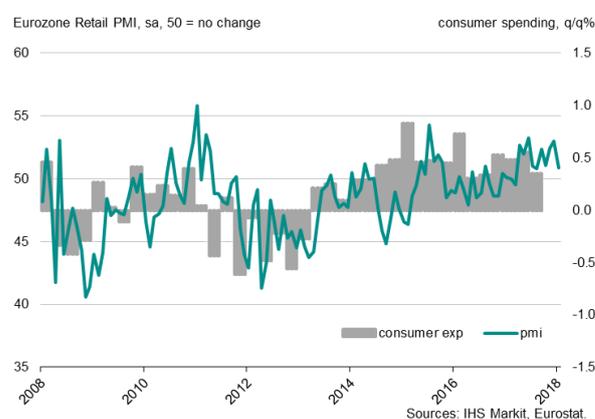
Sales were down on an annual basis after having been broadly unchanged in December.

Alex Gill, economist at IHS Markit which compiles the Eurozone Retail PMI, said:

“The latest data paint a mixed picture as to the overall health of the eurozone retail sector. On the one hand, like-for-like sales and employment continued to rise, albeit at weaker rates than seen in December. On the other, sales remained down on an annual basis, gross margins were squeezed further while weaker than expected sales contributed to a build-up of inventories.

“Business optimism with regard to sales growth next month improved slightly but remained weaker than the long-run average, and was indicative of a generally challenging start to the year.”

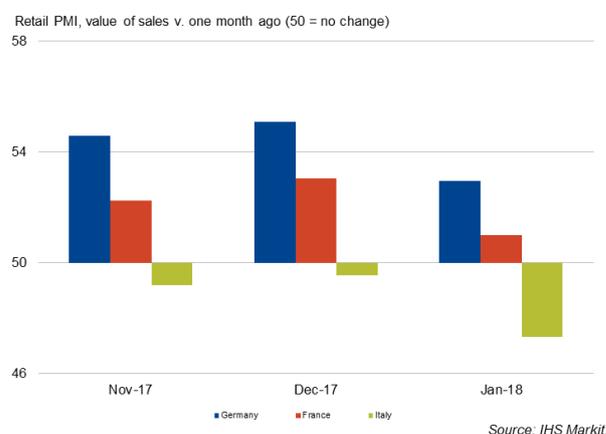
IHS Markit Eurozone Retail PMI



Retail PMI summary (January)

Eurozone	50.8	5-month low
Germany	53.0	3-month low
France	51.0	5-month low
Italy	47.3	6-month low

Retail sales by country



Actual sales continued underperform relative to **previously-set plans** during the first month of the year. The degree of the shortfall was the most marked since May last year, but remained softer than the long-run series average. The gap between actual and expected performance widened to the greatest extent in Italy, followed by France. Meanwhile, targets were missed in Germany after having been met in December.

Gross margins faced by retailers operating inside the currency bloc were squeezed during the latest survey period, thereby continuing a trend that has been observed since data collection began in January 2004. Margins fell in Germany and Italy, with the latter posting the steeper decline. In contrast, French retailers report no change from the preceding month.

Eurozone retailers recorded a further rise in average **purchase costs** during January. Moreover, the rate of inflation quickened from the previous month and moved above the long-run series average. Inflation was broad-based across the 'big-three' eurozone economies, with by far the sharpest increase evident in Germany, followed by Italy.

Retailers continued to take on additional **new staff** at the start of the new year, extending the current period of job creation to 27 months. That said, the rate of growth softened from December and was modest overall. Weaker expansions were recorded in both Germany and France, while, on the contrary, the rate of increase quickened in Italy.

Concurrently, eurozone retailers continued to expand their **purchasing activity** during January, extending the current period of increase to five months. The rate of growth eased from December, however, and was moderate overall.

Purchase price inflation ticks up



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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, IHS 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. IHS 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 PMI data 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. 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 subsequently revised data are available to subscribers from IHS Markit. For further information please contact economics@ihsmarkit.com.

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About PMI

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