

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED FOR RELEASE 10:10 (CEST) / 08:10 (UTC) April 6th 2017

Markit Eurozone Retail PMI®

Retail sales fall in March

Key points:

- Downturn driven by declines in France and Italy...
- ...while sales continue to rise in Germany
- Rate of jobs growth eases to three-month low

Data collected March 13-29

Eurozone retailers registered a decline in like-for-like sales during March, following a broad stagnation in the previous month. The overall decline was driven by a further sharp reduction in Italy, while month-on-month sales in France fell for the first time since November. On the contrary, retail sales in Germany increased for the fourth consecutive month.

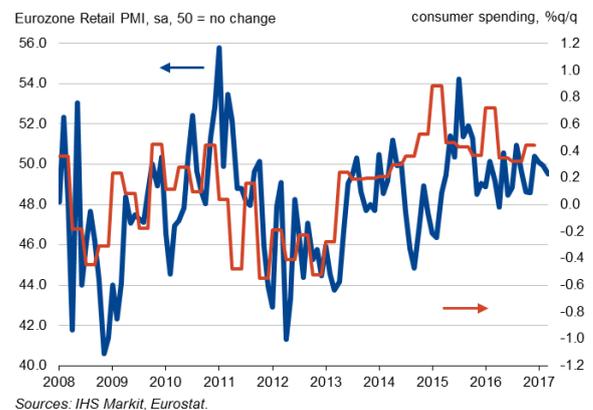
The headline Markit Eurozone Retail PMI – which tracks the month-on-month changes in like-for-like retail sales in the bloc's biggest three economies combined – dipped to 49.5 in March, from 49.9 in February, signalled a slight decline in sales.

Sales remained down on an annual basis. In line with the monthly trend, declines in France and Italy were partially offset by a rise in Germany.

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

“The marginal decline in sales highlighted by the headline index covered up a divergence in underlying trends at the country level. Operating conditions in the Italian retail sector remained precarious, as evidenced by another sharp decline in like-for-like sales, compounded by a further fall in gross margins amid strong competitive pressures. Monthly sales also dropped in France for the first time in three months as political uncertainty and inflation began to weigh on consumer demand. In contrast, sales grew at the fastest pace in six months in Germany.”

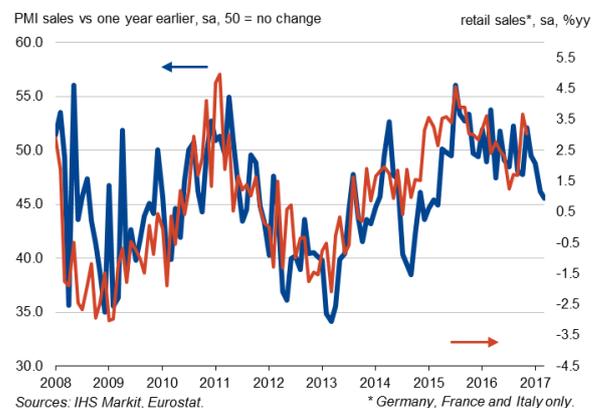
Eurozone Retail PMI



Retail PMI summary (March)

Eurozone	49.5	4-month low
Germany	52.5	6-month high
France	49.4	4-month low
Italy	45.1	6-month low

Eurozone retail sales vs. one year ago



Data summary:

Index	Feb-17	Mar-17	Description	Rate
PMI (Month-on-month sales)	49.9	49.5	Contracting	faster
Year-on-Year Sales	▼	▼	Contracting	faster
Sales vs Plans	▼	►	Lower	unchanged
Expected Sales vs Targets	▲	▲	Higher	faster
Gross Margins	▲	▲	Contracting	slower
Purchase Prices	▼	▼	Rising	slower
Quantity of Purchases	▼	▼	Contracting	change of direction
Stocks of Goods	►	▼	Expanding	slower
Employment	▼	▼	Expanding	slower

▲ Above 50, rising	▲ Below 50, rising	▲ At 50, rising
▼ Above 50, falling	▼ Below 50, falling	▼ At 50, falling
► Above 50, unchanged	► Below 50, unchanged	
► Above 50, unchanged		

Source: IHS Markit.

Italian retail companies registered a fifteenth successive decline in like-for-like sales during March. Moreover, the rate of contraction was the most marked since September last year. Monthly sales also dropped in **France**, thereby ending a three-month period of expansion. In contrast, sales were up in **Germany**, and at a rate unsurpassed in the previous five months.

March data signalled a further month of **underperformance** by retailers, with actual sales falling short of targets. The degree of the shortfall was unchanged from the previous month and marked overall. The largest gap between forecast and actual sales was registered in Italy. Nevertheless, firms remained optimistic that output would increase overall the coming 12-month period.

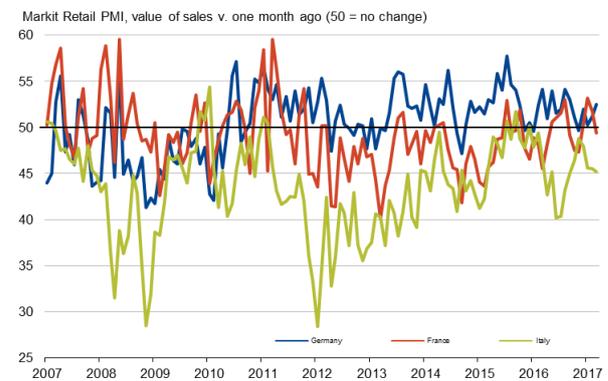
Gross margins were squeezed further during March. The rate of contraction softened marginally from the prior month but remained marked overall. The decline was widespread across each of the 'big three' eurozone economies. The rate of decrease continued to be the most marked in Italy.

Contributing to the fall in gross margins was another rise in average **purchasing prices**. An increase was registered by each of the three economies monitored. That said, the rates of inflation eased in France and Italy, while it was unchanged in Germany.

In line with the overall decline in sales, retailers' **buying levels** declined in March. However, **stocks of goods for resale** continued to rise.

Finally, March's survey showed another rise in retail sector **employment**, thereby extending the latest sequence of jobs growth to 17 months. That said, the rate of job creation eased from February and was marginal overall.

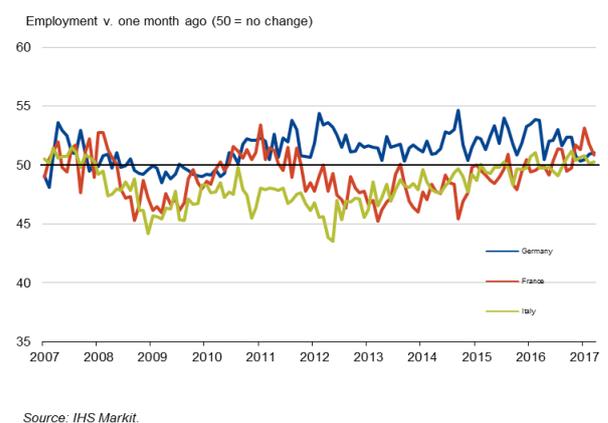
Retail sales by country



Purchase price inflation remains strong



Broad-based rise in employment



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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.

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