

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED FOR RELEASE 10:10 (CET) / 09:10 (UTC) November 7th 2017

IHS Markit Eurozone Retail PMI®

Like-for-like sales growth weakens at start of fourth quarter

Key points:

- Headline Retail PMI falls to 51.1 from 52.3 in September
- Sales down on an annual basis
- Input price inflation sharpest in over four-and-a-half years

Data collected October 12-27

October saw a seventh successive monthly rise in like-for-like sales at eurozone retailers. This was the longest period of growth in nearly 11 years. The expansion was broad-based across the 'big-three' euro area economies. That said, the rate of growth eased amid weaker increases in France and Germany, and was only slight overall.

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 – dropped to 51.1 in October, from 52.3 in September.

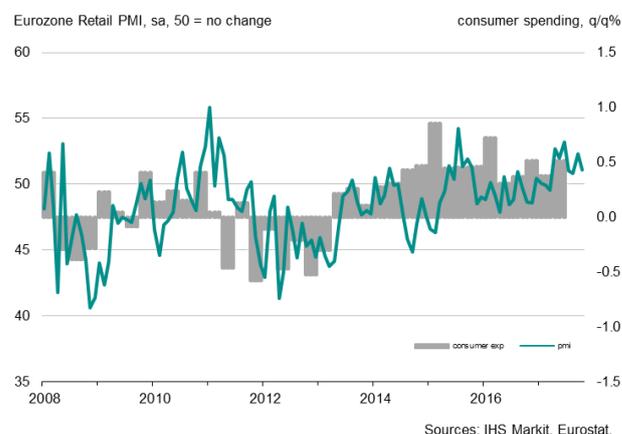
In contrast, sales were down on an annual basis, thereby reversing the upturn seen in the previous survey period.

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

“Mixed messages were signalled by the latest survey data as to the health of the eurozone retail sector. On the one hand, like-for-like sales rose for the seventh successive month, the longest sequence of growth since 2006, and contributing to further increases in employment and purchasing activity. On the other, the rate of sales expansion eased, while a decline was registered on an annual basis.

“Taken together, the data continue to paint a positive picture of the eurozone retail sector, given post-crisis trends.”

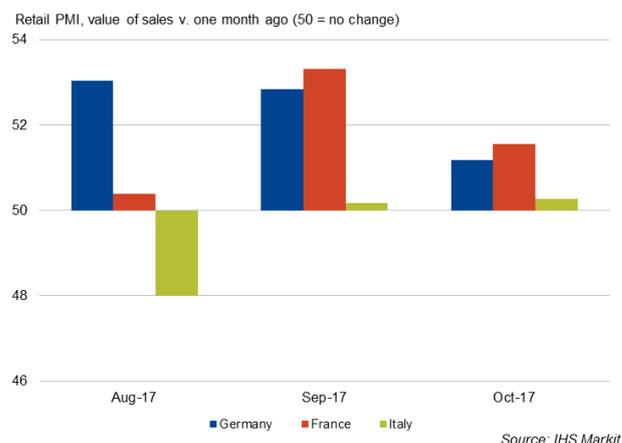
IHS Markit Eurozone Retail PMI



Retail PMI summary (October)

Eurozone	51.1	2-month low
France	51.5	2-month low
Germany	51.2	3-month low
Italy	50.3	25-month high

Retail sales by country



Actual sales at eurozone retailers continued to fall short of **previously-set plans** at the start of the fourth quarter. The degree of the shortfall weakened from September but remained marked overall. The discrepancy between actual and predicted sales remained widest in Italy, followed by France and then Germany.

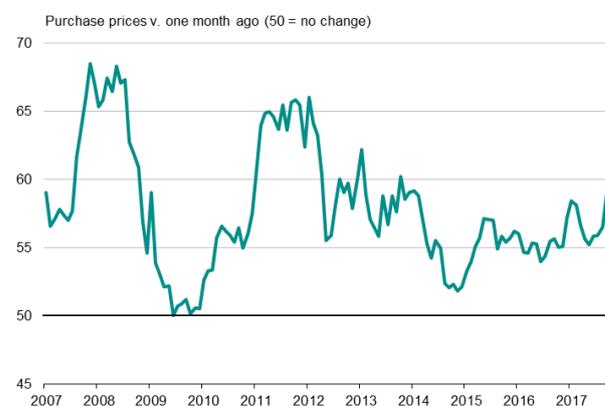
Gross margins facing eurozone retailers continued to be squeezed at the start of the fourth quarter. The rate of decline remained marked despite easing marginally from September. Contractions were recorded in each of the 'big-three' eurozone economies, with the sharpest in Italy.

Contributing to falling margins was another rise in average **input prices**. Moreover, the rate of inflation quickened to a 57-month high and remained substantially greater than the long-run series average. An increase was reported in each of the three monitored countries, led by Germany.

Meanwhile, weaker monthly sales growth contributed to a slower rise in **purchasing activity**. Nonetheless, the current period of expansion, at seven months, represents the longest sequence of growth since the financial crisis. In turn, this contributed to a further build-up of **stocks of goods** for resale.

Finally, in spite of a slowdown in like-for-like sales growth, firms took on additional **staff members** at a sharper rate during October. That said, the rate of job creation remained weaker than the average over the current 24-month period of expansion, and was only slight overall.

Purchase price inflation intensifies



Source: IHS Markit.

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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

Purchasing Managers' Index[®] (PMI[®]) surveys are now available for over 40 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.

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