

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

April data highlight warning signs for eurozone retail sector

Key points:

- Retail PMI falls to 48.6, signalling lower monthly sales
- Sharpest decline in annual sales for 13 months
- Weakness driven by sharp declines in Italy

Data collected April 12-26

Monthly sales in the eurozone retail sector fell for the first time since March last year in April. The drop reflected a sharp decline in Italy, while sales were stagnant in France and up marginally in Germany.

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 48.6 in April, from 50.1 in March, signalling the sharpest decline for 17 months.

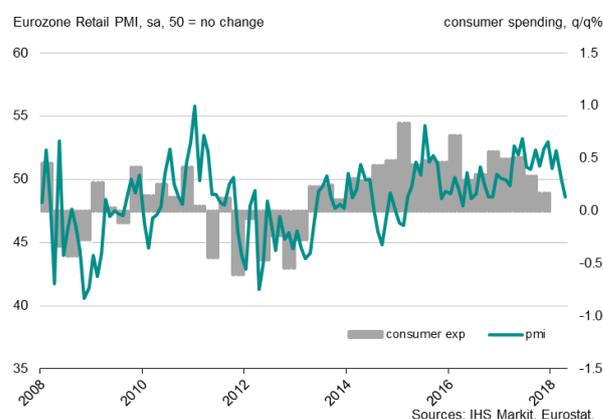
Sales were down on an annual basis for the second successive month. Moreover, the rate of decline was the most marked since March last year.

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

“The latest data highlighted a disappointing month for the eurozone retail sector. Monthly sales were down for the first time for over a year as signs of restricted consumer demand and increased uncertainty begin to show. This was particularly evident in Italy, where the rate of decline in like-for-like sales accelerated sharply and was the most marked for the better part of two years.

“Forward-looking indicators add to the dull picture, with falls in purchasing activity and stocks of goods suggesting retailers are taking an increasingly cautious approach to their business operations. The one shining light was a further rise in staffing numbers. That said, without a rebound in customer demand we may see employment slip back into contraction territory in the coming months as well.”

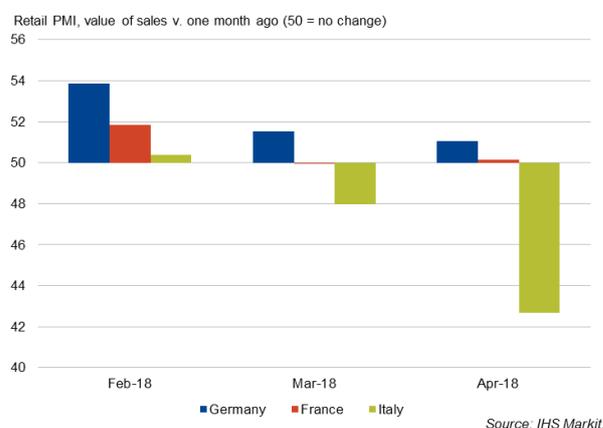
IHS Markit Eurozone Retail PMI



Retail PMI summary (April)

Eurozone	48.6	17-month low
Germany	51.0	9-month low
France	50.1	2-month high
Italy	42.7	21-month low

Retail sales by country



Actual sales continued to fall short of **previously set plans** at the start of the second quarter. The degree of underperformance narrowed marginally from the previous month but remained marked overall. The gap between actual and expected performance was greatest in Italy.

Retailers reported another rise in **input prices** (on average) during April. The rate of inflation was unchanged from March and strong overall, albeit weaker than the long-run series average. The increase was broad-based across the 'big-three' euro area economies.

A combination of faltering monthly sales and strong inflationary pressures contributed to a further squeeze on **gross margins** in April. Indeed, the rate of decline was the most marked since February 2017. The sharpest widening of gross margins was recorded in Italy, followed by France and then Germany.

Input buying among eurozone retailers declined for the first time in over a year during April. Moreover, the rate of decline was the steepest for 40 months. The decrease was spearheaded by Italy, which saw the sharpest drop since September 2016. Retailers in France also recorded a fall in purchasing activity, while those in Germany noted a thirteenth consecutive rise. In turn, **stocks of goods** fell in April, thereby ending a 26-month period of expansion.

In spite of the decline in retail sales, eurozone retailers continued to hire additional **staff** members during April. The rate of expansion was broadly unchanged from March and only modest. Encouragingly, jobs growth was evident in each of the three monitored euro area economies.

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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