

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

Eurozone retail sales growth softens further

Key points:

- Headline PMI falls to 50.8 from 51.0 in July
- Sales growth moderates sharply in France
- Squeeze on gross margins intensifies

Data collected August 11-29

Eurozone retailers recorded a rise in like-for-like sales for the fifth time in as many months during August. Growth was driven to a large extent by a marked expansion in Germany. The increase in France, meanwhile, was only fractional and sales in Italy continued to fall.

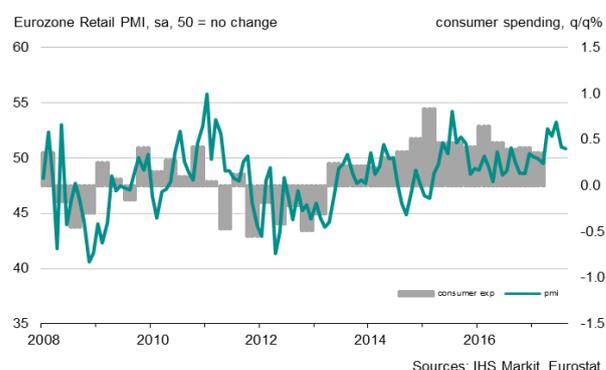
The headline IHS Markit Eurozone Retail PMI® – which tracks the month-on-month changes in like-for-like retail sales in the bloc's biggest three economies combined – fell to 50.8 in August, from 51.0 in July. The latest reading highlighted the weakest rate of growth in the current five-month period of expansion.

Sales remained down on an annual basis. By country, yearly sales were up in Germany, but lower in France and Italy. The degree of the shortfall was particularly marked in the former.

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

“Mixed messages were evident in the latest eurozone retail data. While monthly sales continued to rise, they did so at a weaker and marginal pace. Furthermore, diverging trends were illustrated at the country level, with the overall slowdown largely a result of a marked moderation in like-for-like sales growth in France. A sharp decline in French annual sales also underpinned a second successive fall in yearly sales at the eurozone level. Notwithstanding the disappointing French data, a broad-based decline in gross margins suggests conditions in the euro area retail sector as a whole remain challenging.”

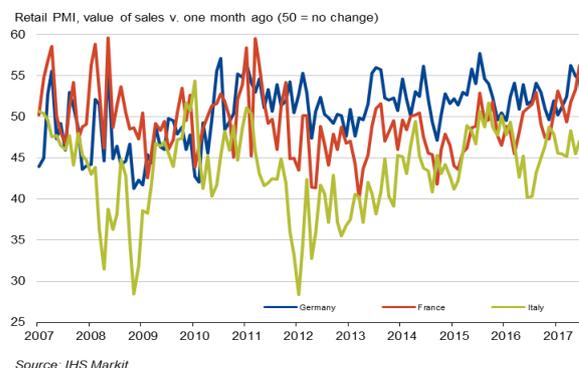
IHS Markit Eurozone Retail PMI



Retail PMI summary (August)

Eurozone	50.8	5-month low
France	50.4	5-month low
Germany	53.0	2-month high
Italy	48.0	4-month high

Retail sales by country



The latest data pointed to a further month of **underperformance** by eurozone retailers, with actual sales falling short of targets. The degree of the shortfall, moreover, widened since July and remained marked overall. The largest gap between forecast and actual sales was recorded in France, followed by Germany and then Italy.

Gross margins were squeezed further in August, thereby continuing a trend that has been evident since data collection began in January 2004. Furthermore, the rate of contraction was the sharpest in five months and marked overall. The decrease was broad-based across each of the 'big-three' eurozone economies. The rate of decline was strongest in Italy, followed by Germany and then France.

Contributing to the latest squeeze on gross margins was a further increase in average **purchase costs**. The rate of inflation quickened from the previous month and was marked overall, but remained below the long-run series average. Average purchase costs rose to the greatest extent in Germany, meanwhile, the rates of inflation in France and Italy were far more subdued.

Meanwhile, a weaker rise in sales volumes led to a stagnation in retailers **purchasing activity** in August, thereby ending four-month sequence of expansion. Nonetheless, **stocks of goods for resale** rose for the nineteenth successive month.

Finally, in spite of the slowdown in sales growth, August data signalled a twenty-second monthly rise in retail sector **employment**. Although slowing for the second month in a row, the rate of job creation remained above the long-run series average.

Purchase price inflation quickens



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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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