

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

Eurozone sales rise to greatest extent in almost two years

Key points:

- Headline PMI rises to 53.2 from 52.0 in May
- Sales growth sharpest France
- Rate of jobs growth steepest since July 2006

Data collected June 12-28

Eurozone retailers recorded a rise in like-for-like sales for the third time in as many months during June. Growth was driven by sharp expansions in France and Germany, although another decline in Italy continued weigh on overall growth.

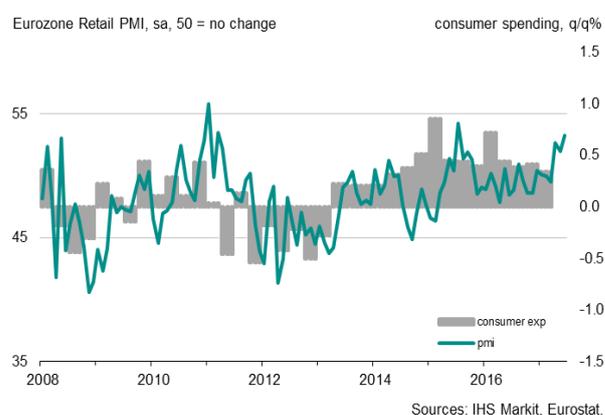
The headline IHS Markit Eurozone Retail PMI® – which tracks the month-on-month changes in like-for-like retail sales in the bloc's biggest three economies combined – rose to 53.2 in June, from 52.0 in May. The latest reading signalled the sharpest rate of growth in just shy of two years.

Sales were also up on an annual basis, thereby reversing the downturn seen in May. Following a similar trend to monthly sales, increases in France and Germany were partially offset by a decline in Italy.

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

“It was a promising end to the second quarter for retailers across the big-three eurozone economies. The key takeaway from the latest data was a surge in monthly sales growth in France to a 74-month high. Ably supported by a further marked rise in Germany, this led to the sharpest monthly expansion in eurozone sales for almost two years. Although a broad-based drop in gross margins continued to highlight a challenging business climate, a strong increase in employment, indeed the sharpest in almost 11 years, provides further indication of a renaissance in the eurozone retail sector.”

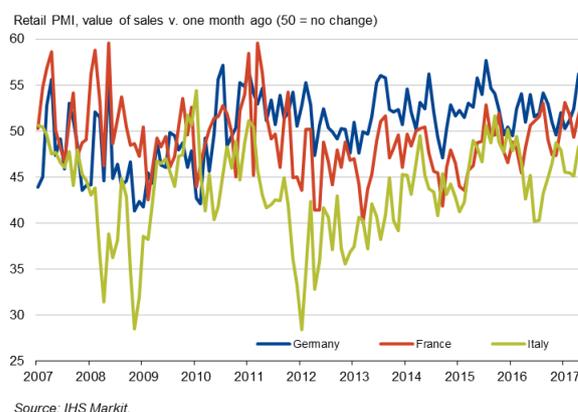
Eurozone Retail PMI



Retail PMI summary (June)

Eurozone	53.2	23-month high
Germany	54.5	3-month low
France	56.3	74-month high
Italy	47.1	2-month high

Retail sales by country



June data signalled another month of **underperformance** by retailers, with actual sales falling short of previously set plans. That said, the degree of the shortfall lessened from May, and was one of the weakest in the survey history. The widest gap between forecast and actual sales continued to be registered in Italy, followed by Germany. Meanwhile, actual sales in France exceeded expectations for the first time in nearly nine-and-a-half years.

Gross margins continued to be squeezed in June. That said, the rate of contraction weakened from the previous month and remained weaker than the long-run series average. The decrease was widespread across each of the 'big-three' euro area economies. The rate of decline accelerated in Germany, but eased in France and Italy.

Contributing to the fall in gross margins was another rise in average **purchasing costs**. The rate of inflation quickened from May, but remained below the long-run average for the series. Input price inflation was registered in each of the three euro area economies, and was most marked in Germany.

Meanwhile, higher sales volumes encouraged firms to raise their **purchasing activity** for the third consecutive month. In turn, this contributed to a seventeenth successive increase in **stocks of goods for resale**, albeit to a weaker degree than in May.

Finally, June's survey highlighted another rise in retail sector **employment**, thereby extending the latest sequence of expansion to 20 months. Encouragingly, the rate of job creation was the most marked since July 2006 and solid overall.

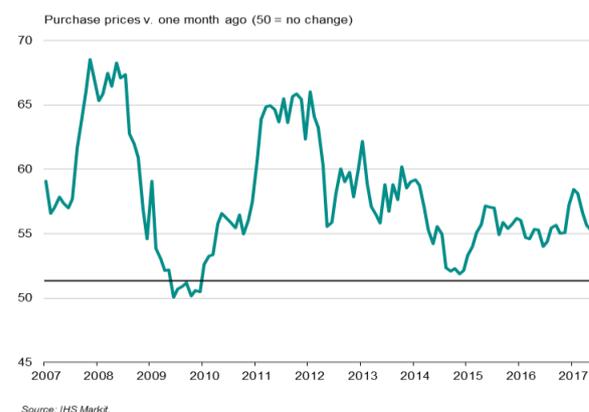
For further information, please contact:

IHS Markit

Chris Williamson, Chief Business Economist
Telephone +44-20-7260-2329
Mobile +44-779-5555-061
Email chris.williamson@ihsmarkit.com

Joanna Vickers
Corporate Communications
Telephone +44-207-260-2234
Email joanna.vickers@ihsmarkit.com

Purchase price inflation at three-month high



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 an 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 30 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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