

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED FOR RELEASE 10:10 (CET) / 09:10 (UTC) March 6th 2017

Markit Eurozone Retail PMI®

Retail sales broadly stable in February

Key points:

- Higher sales in France and Germany offset by decline in Italy
- Strong cost inflationary pressures persist
- Employment level continues to rise

Data collected February 10-24

February saw a further broad stagnation in eurozone retail sales. Following a similar story to the previous month, increases in both France and Germany were offset by another marked contraction in Italy.

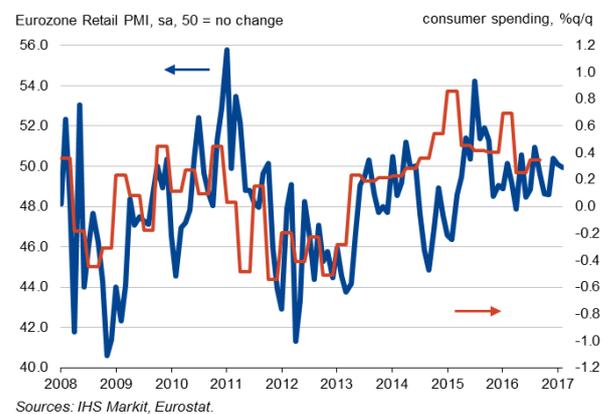
The headline Markit Eurozone Retail PMI – which tracks the month-on-month changes in like-for-like retail sales in the bloc's biggest three economies combined – dipped to 49.9 in February, from 50.1 in January, and signalled little change in the level of sales in the eurozone retail sector.

Sales were down when compared to the same month one year previously. Each of the big-three eurozone economies monitored by the survey reported a drop in year-on-year sales during February, led by a sharp contraction in Italy.

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

“A divergence in retail sector performance across the euro area persisted in February, with German and French retailers enjoying a further rise in sales while their counterparts in Italy endured a fourteenth successive decline. That said, retail companies across the eurozone took on additional staff members, partly indicative of firms’ optimism with regard to their near-term outlook for sales growth. Meanwhile, strong competitive pressures, combined with a further marked rise in average input costs, continued to squeeze gross margins.”

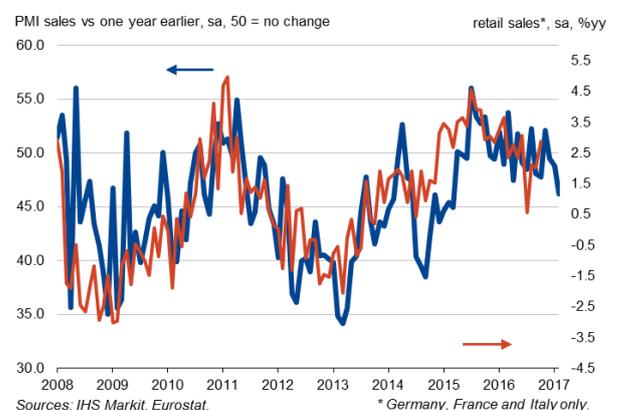
Eurozone Retail PMI



Retail PMI summary (February)

Eurozone	49.9	3-month low
Germany	51.2	2-month high
France	51.7	2-month low
Italy	45.5	5-month low

Eurozone retail sales vs. one year ago



Data summary:

Index	Jan-17	Feb-17	Description	Rate
PMI (Month-on-month sales)	50.1	49.9	Contracting	change of direction
Year-on-Year Sales	▼	▼	Contracting	faster
Sales vs Plans	▼	▼	Lower	faster
Expected Sales vs Targets	▼	▲	Higher	faster
Gross Margins	▼	▲	Contracting	slow er
Purchase Prices	▲	▼	Rising	slow er
Quantity of Purchases	▼	▼	No change	N/A
Stocks of Goods	▶	▼	Expanding	unchanged
Employment	▲	▼	Expanding	slow er

▲ 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.

German and **French** retail companies continued to record growth in month-on-month sales during February. The rate of expansion in Germany accelerated from the previous month, while it slowed slightly in France. Concurrently, **Italian** retailers registered another decline in like-for-like sales. Moreover, the rate of contraction quickened from the previous month and was the fastest since last September.

February data signalled another month of **underperformance** by retailers, with actual sales falling short of targets to the greatest extent in eight months. The widest gap between planned and actual sales was registered in Italy for the fourth successive month. Despite this, firms maintained a positive outlook towards their future sales prospects. Furthermore, the degree of positive sentiment was the highest since last November.

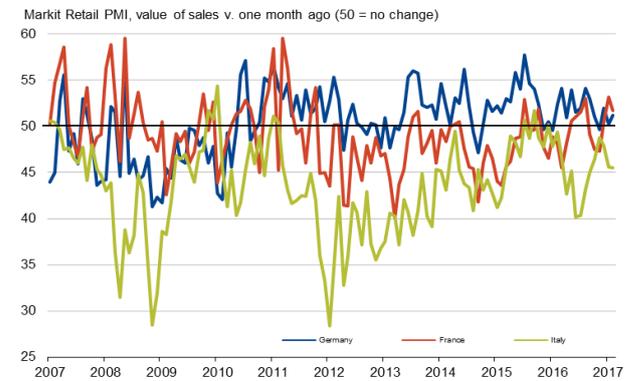
Eurozone retailers faced a further squeeze on **gross margins** during February. The rate of decline softened slightly from the previous month but remained marked overall. The decrease was broad-based across the big-three eurozone economies, with rate of decline being the sharpest in Italy.

Contributing to the fall in gross margins was another rise in average **purchasing prices**. The increase was broad-based across all three eurozone economies monitored by the survey. The rate of inflation accelerated in Germany and Italy, but it eased slightly in France.

In line with the overall sales trend, retailers' **buying levels** stagnated in February. Despite this, **stocks of goods for resale** continued to rise.

Finally, February's survey showed another rise in retail sector **employment**, thereby extending the sequence of expansion that has been evident since November 2015. That said, the rate of job creation eased from January and was slight overall.

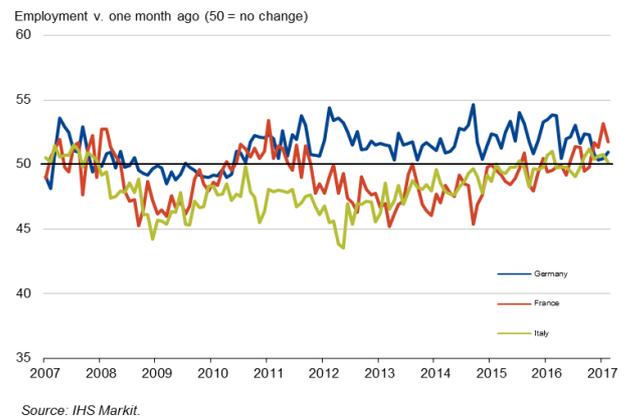
Retail sales by country



Purchase price inflation remains strong



Broad-based rise in employment



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

Alex Gill, Economist
Telephone +44-1491-461-015
Email alex.gill@ihsmarkit.com

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

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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