

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

Eurozone retail sales growth rebounds in September

Key points:

- Headline PMI rises to 52.3 from 50.8 in August
- Like-for-like sales rise in Italy
- Gross margins continue to be squeezed

Data collected September 12-27

Like-for-like sales at eurozone retailers increased for the sixth successive month in September. Growth was driven by further solid expansions in France and Germany. The rate of expansion in Italy was far less marked, but in positive territory for the first time in 21 months.

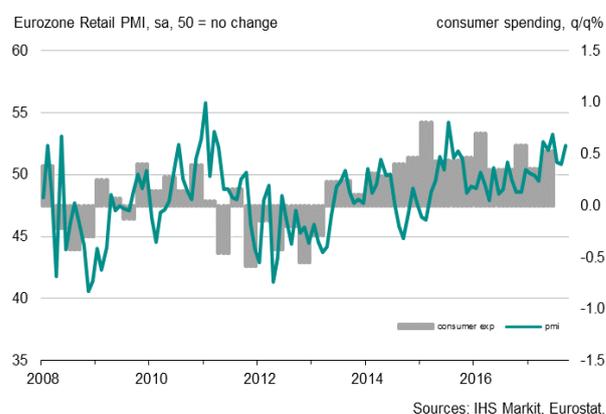
The headline IHS Markit Eurozone Retail PMI® – which tracks the month-on-month changes in retail sales in the bloc's biggest three economies combined – rose to 52.3 in September, from 50.8 in August. The latest reading highlighted the third-strongest rate of growth in the current six-month period of expansion.

Sales were also up on an annual basis, thereby reversing the downturn that had been observed in each of the previous two months.

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

“The latest data paint a positive picture of the eurozone retail sector as overall like-for-like sales growth accelerated to a three-month high. Perhaps more encouraging though was the broad-based nature of the expansion, with an increase recorded in each of the ‘big-three’ eurozone economies for the first time in over two years. Buoyed by robust consumer demand, firms expanded their purchasing activity and staffing numbers, which reflected the sharpest degree of business confidence in four months. Nonetheless, a further squeeze on gross margins suggests the economic climate facing retailers remains challenging.”

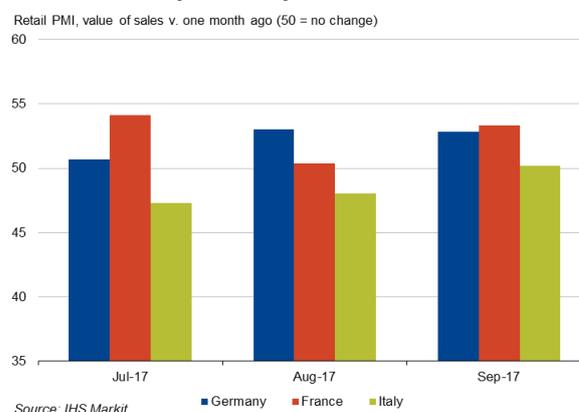
IHS Markit Eurozone Retail PMI



Retail PMI summary (September)

Eurozone	52.3	3-month high
France	53.3	2-month high
Germany	52.8	2-month low
Italy	50.2	21-month high

Retail sales by country



Actual sales at eurozone retailers continued to **underperform** relative to previously-set plans at the end of the third quarter. The degree of the shortfall was marked and broadly unchanged from August, but remained weaker than the long-run average. The gap between predicted and actual sales was widest in Italy, followed by Germany and then France.

Gross margins facing retailers operating in the euro area were squeezed further in September, continuing a trend that has been evident since data collection began almost 14 years ago. The rate of contraction was marked but remained softer than the long-run series average. Each of the ‘big-three’ eurozone nations noted a drop in gross margins, led by Italy.

Gross margins continued to be affected by rising **input prices** in September. Moreover, the rate of inflation was the most marked since January 2014, and sharper than the long-run series average. Input price inflation intensified in each of the ‘big-three’ eurozone economies, led by Germany. Indeed, the rate of inflation in the eurozone’s largest economy was the most marked in almost five-and-a-half years.

Concurrently, a stronger rise in retail sales encouraged firms to raise their **purchasing activity** in September, following stagnation in August. Moreover, the rate of expansion was among the sharpest recorded in the post-crisis era. In turn, this contributed to a build-up of **stocks of goods for resale**, the twentieth in as many months.

Finally, buoyed by another robust increase in sales, eurozone retailers took on additional **staff members** in September. That said, the rate of job creation eased to a five-month low and was only marginal overall.

Purchase price inflation intensifies



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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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