

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

### Further growth signalled in eurozone retail sector

#### Key points:

- Strong expansions in Germany and France drive growth...
- ...while sales continue to decline in Italy
- Gross margins contract to greater extent

Data collected May 12-26

Eurozone retailers recorded a rise in like-for-like sales for the second successive month in May. Growth was underpinned by another strong expansion in Germany and supported by a solid rise in France – the sharpest since October 2011. In contrast, retail sales in Italy fell, thereby extending the current sequence of decline to 17 months.

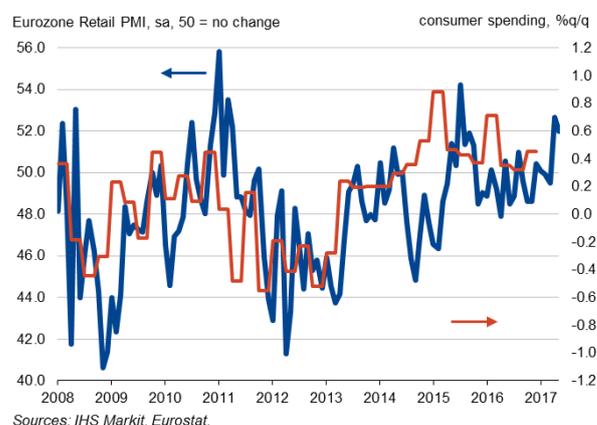
The headline IHS Markit Eurozone Retail PMI – which tracks the month-on-month changes in like-for-like retail sales in the bloc's biggest three economies combined – fell to 52.0 in May, from 52.7 in April. The reading signalled another solid, albeit marginally weaker rise in monthly sales.

On the other hand, sales were down on an annual basis, thereby reversing the upturn seen in April. Moreover, the decline was solid overall, driven by a marked downturn in Italy.

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

*“May data pointed to a further divergence in retail sector performances at the country level, with marked expansions evident in Germany and France. The rate of growth in the latter – at a 67-month high – was particularly encouraging and provides further indication of a resurgence in the French economy. On the contrary, monthly sales in Italy continued to fall. Overall, the data paint a positive picture of the euro area retail sector. However, a sharp fall in gross margins suggests the business climate remains challenging.”*

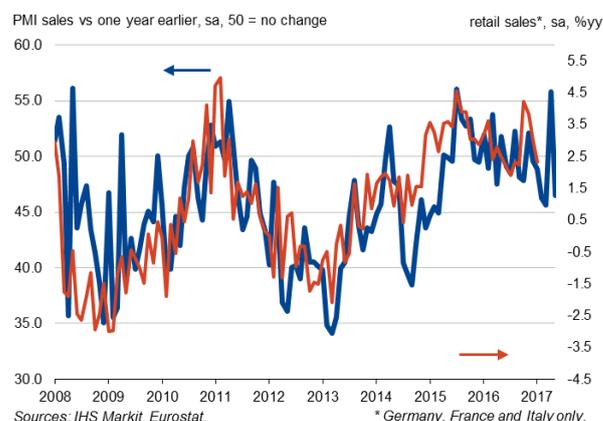
#### Eurozone Retail PMI



#### Retail PMI summary (May)

Eurozone	52.0	2-month low
Germany	55.0	2-month low
France	53.3	67-month high
Italy	45.5	2-month low

#### Eurozone retail sales vs. one year ago



## Data summary:

Index	Apr-17	May-17	Description	Rate
<b>PMI (Month-on-month sales)</b>	<b>52.7</b>	<b>52.0</b>	<b>Expanding</b>	slow er
Year-on-Year Sales	▲	▼	Contracting	change of direction
Sales vs Plans	▲	▼	Low er	faster
Expected Sales vs Targets	▼	▼	Higher	slow er
Gross Margins	▲	▼	Contracting	faster
Purchase Prices	▼	▼	Rising	slow er
Quantity of Purchases	▲	▼	Expanding	slow er
Stocks of Goods	▲	▼	Expanding	slow er
Employment	▼	▲	Expanding	faster

▲ 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.

May data highlighted another month of **underperformance** by retailers, with actual sales falling short of previously set plans. Moreover, the degree of the shortfall increased from April, and was marked overall. The widest gap between forecast and actual sales continued to be registered in Italy, but targets were also missed to a notable extent in Germany and France.

**Gross margins** were squeezed further during May. The rate of contraction accelerated from the previous month, but remained weaker than the long-run average for the series. The decrease was widespread across each of the 'big-three' currency bloc economies. Moreover, the rate of decline accelerated in each case.

In line with another fall in gross margins, eurozone retailers were faced with a further rise in average **purchasing costs** in May, albeit to a weaker extent than in April. Input price inflation was registered in each of the three euro area economies, and most marked in Germany.

Meanwhile, higher sales volumes encouraged firms to raise their **purchasing activity** for the second time in as many months. In turn, this contributed to a sixteenth consecutive increase in **stocks of goods for resale**, albeit to a weaker degree than in April.

Finally, May's survey highlighted another rise in retail sector **employment**, thereby continuing a trend that has been observed since November 2015. Although modest, the rate of job creation was the joint-fastest in this sequence.

## Retail sales by country



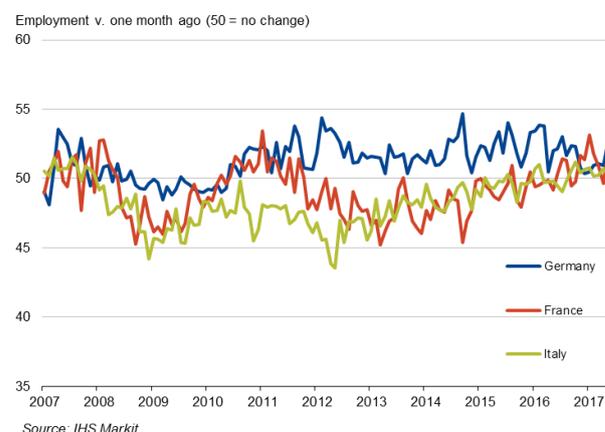
Source: IHS Markit.

## Purchase price inflation at six-month low



Sources: IHS Markit, Eurostat.

## Retail employment by country



Source: IHS Markit.

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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 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. 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](mailto:economics@ihsmarkit.com).

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*Purchasing Managers' Index*<sup>®</sup> (PMI<sup>®</sup>) 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](http://www.markit.com/product/pmi).

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