

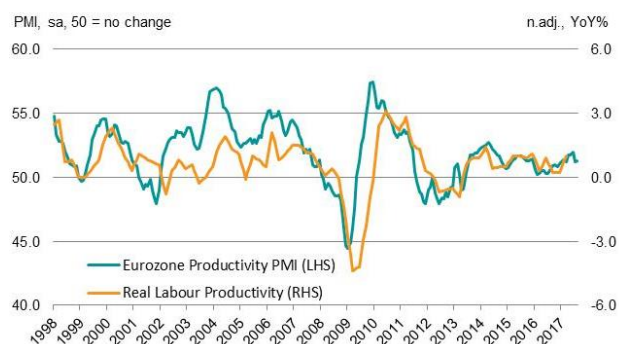
IHS Markit Eurozone Productivity PMI®

Upturn in eurozone productivity gathers pace in August

Key findings:

- Rate of growth in output per head picks up from July's four-month low
- Labour-market performance improves in Germany, France and Italy
- Eurozone workers in manufacturing sector see faster rise than their services counterparts

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Source: Eurostat, IHS Markit.

Labour market efficiency in the eurozone improved further in August, marking a 51-month sequence of growth. The upturn was widespread across the manufacturing and service sectors, with the quicker rise noted among the former. Italian workers saw the fastest increase in productivity (on average) out of the big-three monitored economies, while Germany saw a return to growth.

The seasonally adjusted **Eurozone Productivity PMI®** – derived from IHS Markit's national manufacturing and services PMI survey data – was a tick higher than July's four-month low of 51.2 in August. At 51.3, the latest figure was indicative of a slight increase in labour efficiency across the currency union that was below the long-run series average.

The upward movement in the headline figure reflected a stronger expansion in output per head across the manufacturing industry, with growth in the service sector unchanged from July's four-month low. Manufacturing employees posted stronger growth than service workers for the twenty-seventh month running, though in both cases the respective rates of expansion were below their long-run trend levels.

Having decreased in the previous month for the first time since May 2013, productivity in Germany rose in August. The rate of expansion was marginal and broadly in line with the average recorded over the past year. Output per head increased in the manufacturing sector, while a second consecutive decline was evident among service providers.

Italy was the best-performing country regarding overall growth of output per head, with the latest upturn being the fastest in almost six-and-a-half years. Quicker rates of expansion were evident in both the manufacturing (two-month high) and service (ten-and-a-half year peak) sectors.

Labour efficiency in France improved to a greater extent in August, reflecting a stronger increase in the manufacturing economy. The rise in output per worker among goods producers was solid, the quickest since February 2011 and faster than in Italy and Germany. Productivity growth in the French service sector softened to an eight-month low.

Productivity PMI Indices: August 2017

	Total	Manufacturing	Services
EZ	51.3	52.0	51.0
France	51.8	53.3	51.4
Germany	50.5	52.1	49.7
Italy	53.4	52.6	53.7

For further information, please contact:

Pollyanna De Lima, Principal Economist
Telephone +44-14-9146-1075
Email pollyanna.delima@ihsmarkit.com

Rob Dobson, Director
Telephone +44-1491-461-095
Email rob.dobson@ihsmarkit.com

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

Note to Editors:

IHS Markit's Eurozone Productivity PMI indices are derived from data collected from IHS Markit's panels of companies that participate in the Purchasing Managers' Index (PMI) surveys of business conditions across the euro area. The panels are designed to accurately reflect the true industrial, geographical and company size structure of the eurozone manufacturing and service economies.

IHS Markit analyses the output and employment data for each company to produce a single-figure measure of the rate of change of each sector's productivity. This information is weighted together according to the individual country's contribution to the gross value added of that sector at the eurozone level. This figure is then seasonally adjusted. The sectors are then weighted together to form the Eurozone Total Productivity PMI.

The *Purchasing Managers' Index (PMI)* survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. *PMI* surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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 revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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