

IHS Markit Eurozone Productivity PMI®

Widespread contraction in productivity at start of fourth quarter

Key findings:

- Aggregate productivity falls in Germany, France and Italy
- Output per head slides at eurozone goods producers and service providers
- Worst efficiency loss seen in Germany's manufacturing sector

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Eurozone productivity deteriorated for the seventh straight month in October as ongoing declines in Italy and Germany were accompanied by a renewed contraction in France. The quickest fall was evident in Germany's private sector, followed by Italy and France respectively. Eurozone manufacturers continued to record faster decreases in output per head than service providers, despite producers in France bucking the general trend and being the only firms to record growth (on average). Offsetting the latter was the sharpest worsening of labour efficiency in Germany's manufacturing industry for nearly six-and-a-half years.

At 49.6 in October, the seasonally adjusted **Eurozone Productivity PMI®** – derived from IHS Markit's national manufacturing and services PMI survey data – signalled a marginal deterioration in workforce efficiency. However, falling from 49.8 in September, the latest figure was the lowest seen since May 2013.

The contractions in output per head across the manufacturing and service sectors accelerated to the quickest in three and 27 months respectively, but the former remained the worst performer.

Workforce efficiency in Germany worsened to the greatest extent since mid-year. In the service economy, the fall in output per head was marginal and softened from September. Conversely, manufacturers noted a solid drop in productivity, one that was the most pronounced since July 2012. Goods producers continued to lift employment markedly, though job creation was at a 20-month low. At the same time, the latest rise in production was marginal and the slowest in close to four years.

October data showed the first contraction in productivity across France for three months, albeit one that was marginal as a renewed deterioration in labour performance in the service sector was partly offset by sustained improvements at goods producers. Of the 'big-three' eurozone nations, aggregate productivity in France worsened to the least extent.

Labour performance in Italy's service sector was unchanged from September, thereby ending a four-month sequence of improvements. Conversely, manufacturers noted a fifth successive contraction in output per head. Although marginal, the fall across the private sector was the fastest in over two years. Aggregate employment rose further, while business activity decreased for the first time since the end of 2014.

Productivity PMI Indices: October 2018

	Total	Manufacturing	Services
France	49.9	50.9	49.7
Germany	49.1	47.6	49.9
Italy	49.4	47.8	50.0
EZ	49.6	49.0	49.8

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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. Sectors are 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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