

IHS Markit Eurozone Productivity PMI[®]

Eurozone productivity stagnates during April

Key findings:

- Output per head falls at manufacturers; broadly stagnates at service providers
- Back-to-back drop in total productivity across Germany
- France posts stronger improvement in workforce efficiency than Italy

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Total productivity in the euro area was broadly unchanged in April, thereby ending a 58-month period of uninterrupted growth. Weaknesses were evident in both the manufacturing and service sectors, with the former displaying a back-to-back fall and the latter showing stagnation. Germany was the worst-performing nation, where the extent of the efficiency loss was the most marked in over five-and-a-half years. Easing to an 18-month low at the start of the second quarter, growth in Italy was outstripped by that recorded in France (three-month high).

At 49.9 in April, the seasonally adjusted **Eurozone Productivity PMI[®]** – derived from IHS Markit's national manufacturing and services PMI survey data – registered below the critical 50.0 threshold for the first time in almost five years. Down from 50.8 in March, the latest reading was indicative of generally unchanged output per worker across the currency bloc. Worsening performances were noticed in both

the manufacturing and service sectors. Goods producers saw a quicker decline in output per head than in March, while service providers recorded a lack of productivity progress.

After falling in March for the first time since May 2013, productivity across Germany remained in contraction territory at the start of the second quarter. Although modest overall, the rate of reduction was the quickest seen in over five-and-a-half years. The downturn was widespread across the manufacturing and service sectors, with the sharper decline registered in the latter.

In France, a solid service sector performance acted to offset subdued workforce efficiency among goods producers. The improvement in productivity in the service economy was the strongest in three months and in line with the long-run series trend. At the same time, output per head in the manufacturing industry was unchanged, ending a 30-month period of ongoing growth. Across, the private sector as whole, efficiency gains showed a slightly quicker rise than noted in March, with France the brightest spot on a national basis.

Italy saw a considerable loss of growth momentum, with April highlighting a sustained slowdown in productivity expansion. The upturn was, in fact, the weakest in the current one-and-a-half year sequence of increase and only marginal. Manufacturers signalled the slowest rise in output per worker since December 2016, while broad stagnation was recorded in the service sector.

Productivity PMI Indices: April 2018

	Total	Manufacturing	Services
France	51.6	50.0	52.0
Germany	48.6	49.1	48.3
Italy	50.3	50.9	50.1
EZ	49.9	49.6	50.1

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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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