

### IHS Markit Eurozone Productivity PMI®

#### Eurozone productivity broadly stabilises in June

##### Key findings:

- Efficiency gains at service providers offset deterioration at manufacturers
- France posts further rise in output per head, while Germany sees another decline
- Productivity in Italy rebounds from May's contraction

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Eurozone productivity broadly stabilised in June as expansion in the service sector partially offset deterioration at goods producers. On a national basis, data showed ongoing growth in France and a further decline in Germany, while Italy saw a rebound in output per head. The latter overtook France as the best-performing nation regarding efficiency gains.

Rising from 49.7 in May to 49.9, the seasonally adjusted **Eurozone Productivity PMI®** – derived from IHS Markit's national manufacturing and services PMI survey data – showed a broad stabilization of output per head in June. Goods producers registered efficiency losses for the fourth month running, while a marginal increase was seen in the service sector following stagnation in the prior survey period.

Contributing to the overall expansion in euro area productivity was a return to growth in Italy. Having

fallen during May for the first time in 19 months, output per head increased slightly in June. The rise was centred on the service sector, where growth was the strongest since March. Workforce efficiency was broadly unchanged at goods producers, ending a one-and-a-half year sequence of expansion. Across the private sector as a whole, although slight, the upturn was quicker than in France.

Workforce efficiency in France's private sector improved for the twenty-third straight month at the end of the second quarter. That said, the pace of expansion was marginal, the weakest in this sequence and below its long-run average. The slowdown reflected a softer increase in productivity in the service economy (23-month low) as an uptick was recorded at goods producers (four-month high).

As has been the case since March, Germany registered efficiency losses during June. However, the deterioration was mild and the slowest in three months. The downturn in productivity in the manufacturing industry was the fourth in as many survey periods, with the rate of reduction little-changed from the modest pace noted midway through the quarter. At service providers, the current trend of worsening workforce efficiency was extended to three months, but the contraction was the slowest over this sequence and only marginal.

The latest set of Productivity PMI data showed weaker quarterly performances in a broad-based fashion. At the eurozone level, the average figure for Q2 was the lowest since the same period in 2013. In Germany, the deterioration over the current three months was the quickest since the final quarter of 2011. Despite seeing growth in Q2 as a whole, rates of expansion in France and Italy were the slowest in seven and six quarters respectively.

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## Productivity PMI Indices: June 2018

	Total	Manufacturing	Services
France	50.4	50.8	50.3
Germany	49.0	48.0	49.5
Italy	50.8	49.9	51.1
<b>EZ</b>	<b>49.9</b>	<b>49.2</b>	<b>50.2</b>

## Productivity PMI Indices: Q2 2018

	Total	Manufacturing	Services
France	51.1	50.3	51.2
Germany	48.7	48.3	48.9
Italy	50.3	50.3	50.3
<b>EZ</b>	<b>49.9</b>	<b>49.2</b>	<b>50.1</b>

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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](mailto:economics@ihsmarkit.com).

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