

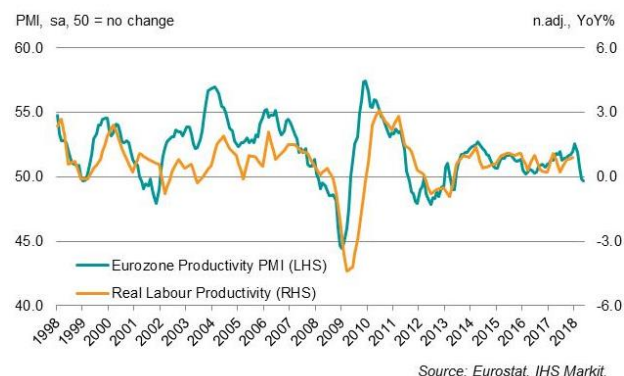
IHS Markit Eurozone Productivity PMI®

May sees deterioration in eurozone workforce efficiency

Key findings:

- Productivity falls at manufacturers and service providers
- France sees upturn in output per head, while declines are evident in Germany and Italy
- Efficiency loss in Italy ends one-and-a-half year sequence of growth

IHS Markit Eurozone Productivity PMI®



After having broadly stagnated in April, eurozone productivity declined midway through the second quarter. Efficiency losses were recorded in both the manufacturing and service sectors, with the quicker fall evident in the former. Germany saw the third successive drop in output per head, while Italy posted the first contraction in over one-and-a-half years. France was the brightest spot in May, registering growth for the twenty-second straight month.

The seasonally adjusted **Eurozone Productivity PMI®** – derived from IHS Markit’s national manufacturing and services PMI survey data – fell from 49.9 in April to 49.7. The latest figure was the lowest since May 2013, but indicative of only a marginal rate of reduction. The deterioration in workforce performance was widespread across the manufacturing and service sectors. In the former, the

fall was the third in successive months and the fastest since the end of 2012. Service providers, on the other hand, recorded the first drop since July 2016, albeit one that was fractional.

Germany remained an area of weakness as workforce efficiency deteriorated for the third straight month. Although modest, the pace of contraction was the quickest in nearly six years and sharper than that seen in Italy. Whereas goods producers registered a sharper rate of reduction, a slowdown was noted in the service economy.

Workforce efficiency in Italy has failed to gain momentum from the near seven-year peak noted at the start of the year. Growth has eased in each survey period since, with May highlighting the first fall in productivity in 19 months. The downturn was centred on the service sector, with expansion sustained among goods producers. The upturn in the latter was nonetheless the second-slowest in the current 18-month sequence of increase.

At the other end of the scale was France, the only nation monitored to register growth of private sector productivity. May’s upturn stretched the current sequence of expansion to 22 months and was broad-based across the manufacturing and service categories. At the composite level, growth softened to a 17-month low and was below its long-run average. The slight increase noted in the service sector was stronger than the marginal rise seen at goods producers.

Productivity PMI Indices: May 2018

	Total	Manufacturing	Services
France	51.1	50.2	51.3
Germany	48.5	48.0	48.8
Italy	49.7	50.4	49.5
EZ	49.7	49.1	49.9

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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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Purchasing Managers' Index[®] (*PMI*[®]) surveys are now available for over 40 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 <https://ihsmarkit.com/products/pmi.html>.

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