

S&P Global Eurozone Productivity PMI®

Eurozone productivity in contraction territory during June

Key findings:

Workforce efficiency worsens for first time in three months

Downturn in manufacturing deepens, while growth at service providers softens

Germany sees faster drop in aggregate productivity than Italy, France posts stagnation

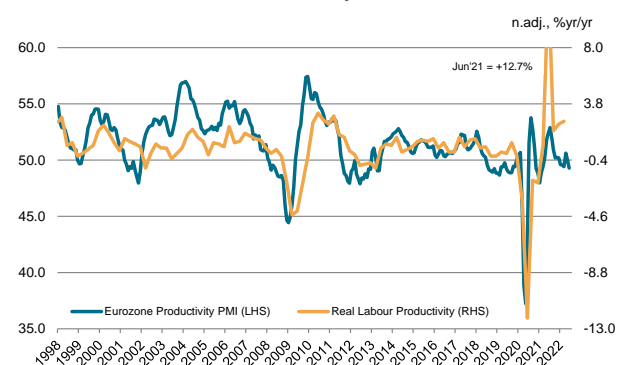
June data showed the first decline in eurozone private sector productivity for three months as manufacturers recorded the worst trend in two years. Goods production decreased at the end of the second quarter for the first time since mid-2020 amid a combination of subdued demand conditions, lingering problems in supply chains and the war in Ukraine. Although service providers continued to signal efficiency gains, the upturn eased to a three-month low. Out of the three eurozone nations for which data are published, faster contractions were seen in Germany and Italy while growth came to a standstill in France.

At 49.3 in June, down from 50.0 in May, the seasonally adjusted **Eurozone Productivity PMI®** – compiled from S&P Global's national manufacturing and services PMI survey data – was below the neutral 50.0 mark for the first time since March. That said, the latest reading was indicative of a marginal rate of contraction. Manufacturing was the main drag on the headline figure, where a sharper fall was recorded, though growth continued to moderate in the service economy.

Eurozone manufacturers posted efficiency losses for the ninth straight month in June. Moreover, the rate of reduction was marked and the fastest in two years. PMI data pointed to sustained, albeit softer, job creation but the first contraction in production since the first wave of COVID-19 in 2020. According to monitored companies, output fell due to the war in Ukraine, supply-chain disruptions and weak demand conditions.

Conversely, service providers signalled efficiency gains for the fourteenth month in a row during June. That said, the rate of expansion eased to the weakest in three months and was only marginal. PMI data pointed to slower increases in both employment and business activity at the end of the second quarter.

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Sources: S&P Global, Eurostat.
Data were collected 13-27 June

Germany led the fall in private sector productivity with the fastest contraction in six months, while Italy posted a quicker decline that was nonetheless only slight. France bucked the general trend and recorded a broadly unchanged level of productivity, following three months of growth.

The quicker downturn in Germany masked differing trends at the sector level. Goods producers recorded a substantial deterioration in workforce efficiency that was the most pronounced in two years. Despite lifting payroll numbers at a marked rate, firms saw output slip into contraction during June.

On the other hand, German service providers continued to signal efficiency gains midway through the year. The latest rise was the sixth in consecutive months, albeit mild and the slowest since February. June saw modest expansions in both employment and business activity.

Similarly, while French goods producers reported efficiency losses, growth was sustained in the service sector. Among the former, the latest decline was the quickest since mid-2020 and took the current sequence of contraction to 11 months.

Services companies in France saw a thirteenth consecutive improvement in workforce efficiency. However, the rate of expansion softened to a three-month low and was below its long-run average.

Following back-to-back increases in Italian service sector productivity, June saw a stagnation. PMI data

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showed modest expansions in both employment and business activity halfway through the year.

Across the Italian manufacturing industry, there was a second successive deterioration in workforce efficiency. Although moderate, the rate of contraction quickened to the fastest since June 2020. PMI data showed that despite a solid and faster increase in employment production volumes were broadly unchanged.

Looking at the second quarter of 2022, trends for private sector productivity were mixed. Growth in France compared with a fall in Germany and stagnation in Italy. The quarterly reading for the eurozone aggregate was at 50.0, indicative of no change but an improvement from 49.5 in the opening quarter of 2022.

Quarterly declines in manufacturing productivity were seen across the board, with rates of reduction quickening in all cases. Conversely, service providers across the three nations and the eurozone posted improved productivity trends.

Productivity PMI Indices: June 2022

	Total	Manufacturing	Services
France	50.1	46.8	50.9
Germany	48.7	44.6	50.7
Italy	49.4	47.6	50.0
EZ	49.3	45.8	50.6

Productivity PMI Indices: Q2 2022

	Total	Manufacturing	Services
France	51.3	47.5	52.1
Germany	49.1	45.0	51.2
Italy	50.0	48.6	50.5
EZ	50.0	46.6	51.2

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Note to Editors

S&P Global's Eurozone Productivity PMI indices are derived from data collected from S&P Global'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.

S&P Global 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.

S&P Global 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 subsequently revised data are available to subscribers from S&P Global. Please contact economics@ihsmarkit.com.

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