

S&P Global Eurozone Productivity PMI®

Downturn in eurozone productivity softens in February

Key findings:

Workforce efficiency worsens to least extent since mid-2022

Rates of contraction continue to ease at manufacturers and service providers

France, Germany and Italy all post slower reductions in private sector productivity

Private sector productivity in the eurozone fell at the slowest rate in eight months halfway through the first quarter, as sustained job creation was joined by an improved trend for business activity. Manufacturing firms again noted a quicker deterioration in workforce efficiency than their services counterparts, but softer reductions were recorded in both cases. There were also weaker contractions in aggregate productivity across France, Germany and Italy.

Despite climbing from 47.2 in January to an eight-month high of 48.0 in February, the seasonally adjusted **Eurozone Productivity PMI®** – compiled from S&P Global's national manufacturing and services PMI survey data – remained in sub-50.0 territory and therefore pointed to a further deterioration in workforce efficiency. The pace of contraction was, however, only moderate.

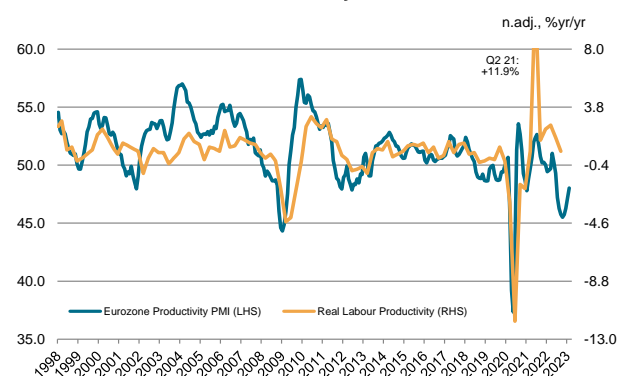
Broad-based falls in productivity across the eurozone manufacturing and service sectors have been registered for eight months in succession. Throughout this period, the former led the downturn.

Goods producers nevertheless recorded the slowest decline in productivity since May 2022, with PMI data for February showing a combination of job creation and stability in production.

In the service sector, back-to-back increases in business activity occurred in parallel to a twenty-fifth consecutive upturn in employment. Productivity still fell, but did so at the weakest rate in the current eight-month sequence of contraction.

Among the three eurozone nations for which productivity data are published, France posted the sharpest fall and Italy the slowest. In all cases, however, rates of reduction softened from those seen at the start of the year.

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Sources: S&P Global, Eurostat.
Data were collected 10-23 February

Italian companies saw the slowest contraction in productivity since June 2022, and one that was only slight. The labour market remained resilient, with PMI data showing a further increase in employment, while output growth accelerated.

Service providers in Italy recorded only a marginal deterioration in workforce efficiency, with the rate of reduction matching that seen at the start of 2023. In the manufacturing sector, the latest downturn was the slowest in nine months and moderate overall. Increases in employment and output were widespread across the two sectors.

Aggregate productivity in Germany decreased again in February, taking the current sequence of reduction to a year-and-a-half. Although solid, the pace of contraction eased to the slowest since June 2022. Alongside job creation, the latest PMI results showed the first upturn in private sector output in eight months.

February data highlighted an eighth successive drop in services productivity across Germany, albeit one that was moderate and the slowest over this period. The fall was also less pronounced than in the manufacturing industry, where the latest reduction was the weakest since April 2022. PMI data for February showed that goods producers led in terms of job creation, while service providers signalled the stronger upturn in output.

French firms noted the sharpest decline in productivity out of the three nations for which data are published,

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despite the rate of reduction softening to the slowest since last October. The latest fall was the eighth in consecutive months and solid overall. According to PMI data, a robust expansion in employment supported the first increase in output for four months. The upturn was modest, however, and below its long-run average.

Out of all nations and sectors covered, a quicker decline in productivity was only seen in France's manufacturing industry. The drop was the most pronounced in nearly three years and marked overall. Goods production fell at the fastest pace in four months during February, while job creation was sustained.

Even though French services firms noted another deterioration in workforce efficiency, stretching the current sequence of contraction to eight months, the latest fall was the weakest since October 2022. Here there were increases in both business activity and employment in February.

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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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Productivity PMI Indices: February 2023

	Total	Manufacturing	Services
France	46.8	45.7	47.0
Germany	47.2	44.9	48.3
Italy	49.1	47.7	49.6
EZ	48.0	46.1	48.7

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About PMI

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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