

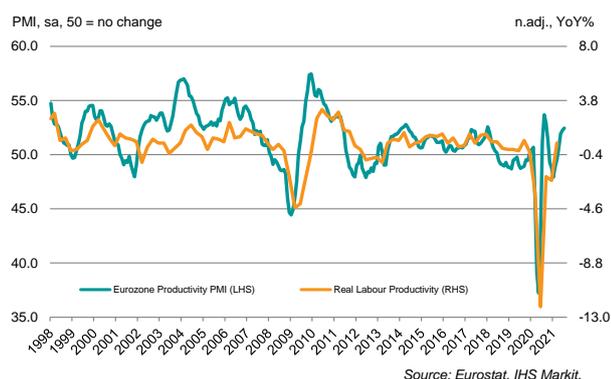
IHS Markit Eurozone Productivity PMI®

Growth of eurozone productivity hits ten-month high amid stronger expansion in service sector

Key findings:

- July sees fastest increase in productivity since September 2020
- Growth softens in manufacturing and quickens in services, but former leads the upturn
- Italy sees quickest rise in private sector productivity, followed by France

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July data showed a fourth successive monthly increase in eurozone productivity, with the rate of growth quickening to the strongest since last September. The acceleration stemmed from a faster expansion at service providers as goods producers noted a slowdown. Nevertheless, the upturn was led by the latter. Italy was the top performer out of the three nations for which data are published, followed by France and then Germany.

Posting 52.4 in July, the seasonally adjusted **Eurozone Productivity PMI®** – compiled from IHS Markit's national manufacturing and services PMI survey data – indicated growth for the fourth straight month. Moreover, rising from 52.2 in June, the latest reading was the highest in ten months and above its long-run average of 51.6.

The stronger increase of the two sectors covered was noted at manufacturers, despite the rate of growth

having softened to the slowest in the current 13-month sequence of expansion. Productivity rose for the third month in a row at service providers, and to the greatest extent since August 2020.

Italy led the upturn in private sector productivity during July. The latest increase was the fifth in consecutive months and the fastest in just under three-and-a-half years.

Italian manufacturing firms continued to outperform their services counterparts. However, the former saw a slowdown in growth and the latter an acceleration. In fact, workforce efficiency in the service economy improved at the fastest pace since March 2018. PMI data for July showed that rates of expansion for output outpaced those for employment in both the manufacturing and service sectors.

France recorded a third successive increase in aggregate productivity during July. The rate of expansion was the fastest in just under a year and close to that seen in Italy.

July data pointed to back-to-back increases in French services productivity, with the rate of growth climbing to an 11-month high and outpacing its long-run average. Goods producers noted a softer expansion, the slowest since March. Growth here was only slight and below trend.

German firms noted a further expansion in aggregate productivity, marking a 13-month sequence of growth. The pace of increase was unchanged from June.

Workforce efficiency at German service providers stabilised at the start of the third quarter, ending an eight-month sequence of deterioration. PMI data showed that strong job creation supported a record rise in business activity.

Goods producers in Germany recorded a substantial upturn in productivity, quicker than in France and Italy, albeit one that was the slowest in a year.

Productivity PMI Indices: July 2021

	Total	Manufacturing	Services
France	52.3	51.3	52.5
Germany	51.9	55.7	50.0
Italy	52.7	53.4	52.4
EZ	52.4	53.7	52.0

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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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