

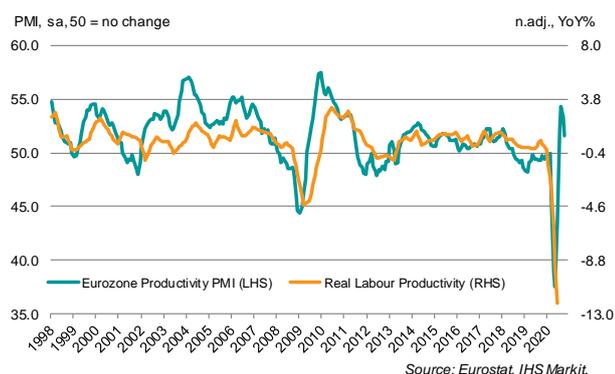
IHS Markit Eurozone Productivity PMI[®]

Eurozone productivity rises at softer pace amid renewed contraction in service sector

Key findings:

- Workforce efficiency improves at slowest pace in current four-month period of growth
- Manufacturing productivity expands at quickest pace in ten-and-a-half years
- Service sector sees first decline since June
- Aggregate productivity increases in Germany, broadly stagnates in Italy and falls in France

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With some eurozone companies reluctant to hire additional workers amid the coronavirus disease 2019 (COVID-19) pandemic and future uncertainty, growth of output meant that productivity continued to increase in October. That said, the latest improvement was modest and the weakest in the current four-month period of expansion. Growth was centred on the manufacturing industry, where workforce efficiency strengthened to the greatest extent in ten-and-a-half years. In the service sector, there was a renewed decline, the first since mid-year. Private sector firms in Germany recorded growth, while stagnation was noted in Italy and contraction in France.

The seasonally adjusted **Eurozone Productivity PMI[®]** – compiled from IHS Markit's national manufacturing and services PMI survey data – fell from 53.3 in September to 51.6 in October, signalling

the weakest improvement in workforce efficiency in the current four-month run of growth. Still, the latest reading matched the average seen over the near 23-year series history.

Growth was underpinned by an upturn in manufacturing sector productivity, with goods producers recording the steepest rise seen since April 2010. Conversely, services firms registered efficiency losses at the start of the fourth quarter. The fall in productivity was slight, albeit the first since June.

Germany recorded another rise in aggregate productivity, the fourth in as many months. Although softer than September's recent record, the rate of expansion remained sharp. Robust efficiency gains at manufacturers, the strongest in 11 years, compared with only marginal growth at service providers. October PMI data showed that a near-record increase in factory output occurred despite further job shedding. In the service economy, business activity fell despite employment growth.

After increasing for three months in a row, productivity across Italy's private sector broadly stagnated during October. Underlying data showed that efficiency gains in the manufacturing industry had been offset by renewed losses in services. In the latter, there were contractions in both employment and business activity, while goods producers saw a modest uptick in jobs underpin a marked rise in production.

French private sector firms recorded the first contraction in productivity since June, albeit one that was only slight. There was a modest increase among goods producers, the weakest in the current four-month sequence of expansion. Conversely, service providers noted efficiency losses, which ended a three-month period of growth. PMI data for October showed that while service sector jobs and activity declined, manufacturing production rose despite a reduction in payroll numbers.

Productivity PMI Indices: October 2020

	Total	Manufacturing	Services
France	49.2	51.6	48.6
Germany	56.0	66.2	50.5
Italy	50.1	55.2	48.2
EZ	51.6	58.7	48.9

For further information, please contact:

Pollyanna De Lima, Economics Associate Director
Telephone +44 149 146 1075
Email pollyanna.delima@ihsmarkit.com

Katherine Smith, Public Relations
Telephone +1 781 301 9311
Email katherine.smith@ihsmarkit.com

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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About PMI

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