

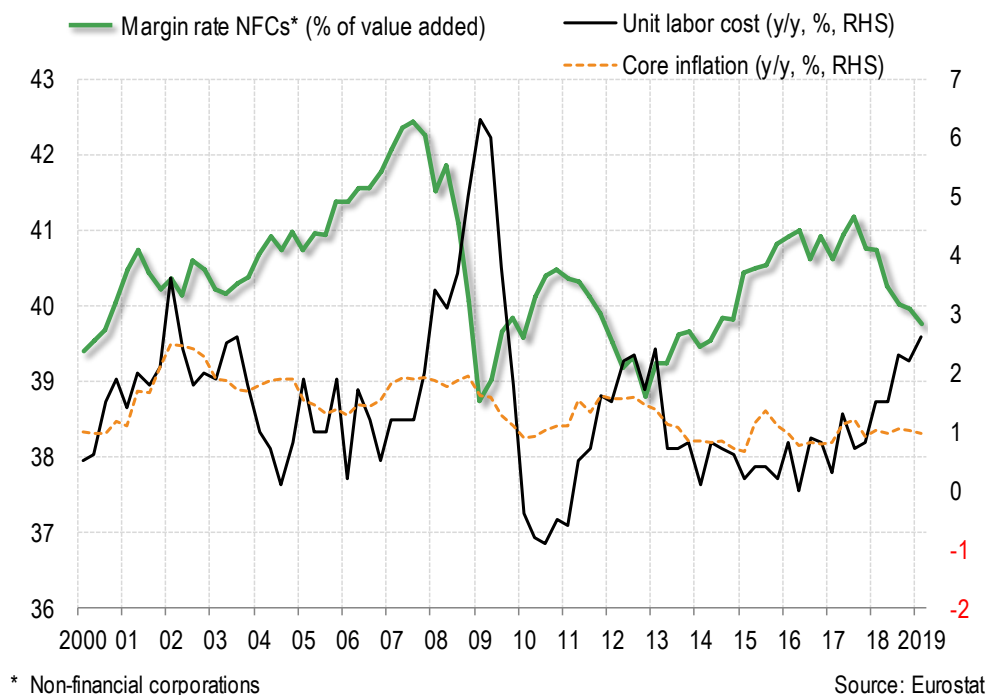


Margin erosion in the eurozone: how low can they go?

Since the 3rd quarter of 2017, a year of strong economic growth, non-financial corporations' margin rate¹ in the euro area has fallen steadily. In the 1st quarter of 2019 they hit their lowest point since early 2014, at less than 40% of value added. This trend echoes the increase in unit labour costs, which has resulted both from increasing wage growth and slowing labour productivity.

Forming part of a wider pattern of slowing growth in the euro area over a number of quarters and with high level of uncertainty, this narrowing of margins reflects the difficulties companies are experiencing in passing higher costs through to prices. Underlying inflation remains particularly inert. If it continues, this narrowing of margins could affect trends in investment.

Eurozone: Margin rate, unit labor cost and inflation



¹ Calculated here as the ratio: (Gross operating surplus + Mixed income) / Value added, Seasonally and calendar adjusted