

MARKET SENSITIVE INFORMATION

Embargoed until 1000 CEST (0800 UTC) 22 April 2022

S&P Global Flash Eurozone PMI®

Eurozone growth accelerates as reviving services demand offsets near stalling of manufacturing, but prices rise at record rate

Key findings:

Flash Eurozone PMI Composite Output Index⁽¹⁾ at 55.8 (Mar: 54.9). 7-month high.

Flash Eurozone Services PMI Activity Index⁽²⁾ at 57.7 (Mar: 55.6). 8-month high.

Flash Eurozone Manufacturing Output Index⁽⁴⁾ at 50.4 (Mar: 53.1). 22-month low.

Flash Eurozone Manufacturing PMI⁽³⁾ at 55.3 (Mar: 56.5). 15-month low.

Data were collected 08-20 April

Eurozone economic growth accelerated in April as a rebounding service sector, benefitting from loosened COVID-19 restrictions, helped compensate for a near-stalling of manufacturing output. Hiring also picked up and business expectations for the year ahead lifted from March's 17-month low, albeit with confidence remaining subdued by recent standards as concerns over the Ukraine war, rising prices and the lingering effects of the pandemic continued to dampen optimism, especially in manufacturing. Prices charged for goods and services meanwhile rose at an unprecedented rate in April amid another near-record rise in firms' costs, hinting that inflation has further to rise.

S&P Global Flash Eurozone PMI Composite Output Index



The seasonally adjusted **S&P Global Eurozone PMI® Composite Output Index** rose from 54.9 in March to 55.8 in April, according to the preliminary 'flash' reading, signalling the strongest rate of expansion since last September. New order growth likewise accelerated,

despite a second successive monthly drop in exports of goods and services, pointing to reviving demand conditions across the eurozone.

Growth trends varied markedly by sector. Business activity among service providers rose at the fastest rate since last August amid falling COVID-19 case numbers and an associated relaxation of health restrictions. April has seen virus containment measures relaxed across the eurozone to the loosest since the start of the pandemic, according to S&P Global's COVID-19 Containment Index. Inflows of new business in the service sector also picked up to the fastest since last August, buoyed by rising demand. The upturn was led by a boom in tourism & recreation activity, which reported an unprecedented surge in business activity.

In contrast, manufacturing output growth came close to stalling in April, registering the smallest monthly expansion since the initial pandemic downturn during the second quarter of 2020. The autos sector was particularly hard hit, recording a steepening and marked loss of output, though all other major manufacturing sectors barring tech equipment reported either slower growth, stagnation or outright falls in output.

Many companies suffered production curbs due to ongoing supply constraints, with April seeing further widespread reporting of longer supplier delivery times. Disruptions emanating from the Ukraine war and fresh lockdowns in China exacerbated existing supply issues.

However, demand was also reported to have cooled in the manufacturing sector. New orders for goods rose at the weakest rate since June 2020, registering only a modest increase. Lost orders were blamed on soaring prices, the cost of living squeeze and signs of increased risk aversion due to the Russia-Ukraine war, as well as the shift of spending to service sector activities.

Output trends also differed considerably across the region. Growth slowed to a three-month low in Germany as the first fall in manufacturing output since June 2020 offset an acceleration of service sector growth to the fastest since last August. However, growth picked up in France to the sharpest since January 2018 as sustained modest factory output growth was accompanied by the largest surge in services activity since the start of 2018.

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Growth also accelerated across the rest of the eurozone as a whole, hitting a five-month high on the back of an improved service sector performance.

Employment rose at the sharpest rate for five months, albeit with hiring constrained in many firms by labour shortages, in turn often linked to the pandemic.

The prevalence of labour supply issues, combined with raw material shortages, meant backlogs of work continued to rise at a solid rate in April. Although the rise in manufacturing backlogs was the smallest for almost one-and-a-half years, the rise in uncompleted work in the service sector hit the highest since last July.

Supply constraints also put further upward pressure on prices. Although input cost inflation eased slightly, the rise was still the second-largest ever recorded by the survey since comparable data were first available in 1998, led by a new record high in Germany. In addition to rising raw material prices, firms widely reported upward pressure on costs from energy and wages.

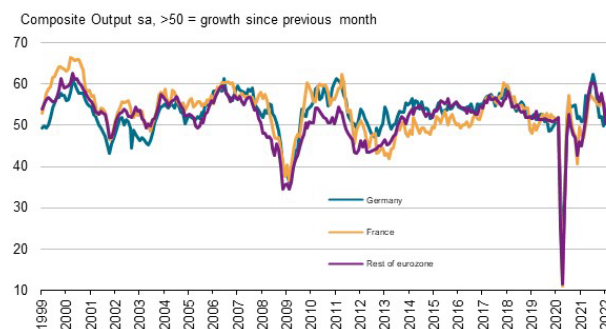
Higher costs were passed on to customers resulting in the largest rise in prices charged for goods and services yet recorded by the survey, the rate of increase accelerating markedly from the prior all-time high seen in March. New record rates of inflation were seen for both goods and services.

Despite increasing inflationary pressures, supply chain disruptions and the war in Ukraine, business optimism about the year ahead improved slightly compared to March, albeit remaining considerably gloomier than at the start of the year. The brightening picture was led by the service sector, principally reflecting hopes of further growth benefits from pent up demand from the pandemic. While optimism also picked up in manufacturing, prospects in the factory sector remain far bleaker than seen over the past two years.

S&P Global Flash Eurozone Manufacturing PMI



Core v. Periphery PMI Output Indices



Commenting on the flash PMI data, **Chris Williamson**, Chief Business Economist at S&P Global said:

"April saw a two-speed eurozone economy. Manufacturing came close to stalling due to ongoing supply constraints, rising prices and signs of spending being hit by risk aversion due to the war. However, April also saw manufacturers suffer due to a shift in demand from goods to services amid looser pandemic restrictions, most notably via a record surge in spending on activities such as travel and recreation.

"Common across both sectors, however, was a further surge in cost pressures, driven by soaring energy and raw material costs, as well as rising wages. Average prices charged for goods and services rose at an unprecedented rate in April as these higher costs were passed on to customers, sending a worrying signal that inflationary pressures continue to build.

"The eurozone has therefore started the second quarter on a stronger than anticipated footing, confounding consensus expectations of a slowdown. However, the weakness of the manufacturing sector is a major concern as it points to an economy that is not firing on all cylinders. Similarly, the ever-rising cost of living suggests that service sector growth could cool sharply once the initial rebound from the opening up of the economy fades.

"Policymakers may nevertheless tilt to a more hawkish stance, reflecting the persistence of unprecedented inflationary pressures at a time of encouragingly robust economic growth."

-Ends-

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Note to Editors

Final April data are published on 2 May for manufacturing and 4 May for services and composite indicators.

The Eurozone PMI® (Purchasing Managers' Index®) is produced by S&P Global and is based on original survey data collected from a representative panel of around 5,000 companies based in the euro area manufacturing and service sectors. National manufacturing data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. National services data are included for Germany, France, Italy, Spain and the Republic of Ireland. The flash estimate is typically based on approximately 85%–90% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI data.

The average differences between the flash and final PMI index values (final minus flash) since comparisons were first available in January 2006 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

Index	Average difference	Average difference in absolute terms
Composite Output Index ¹	0.0	0.3
Manufacturing PMI ²	0.0	0.2
Services Business Activity Index ²	0.0	0.3

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.

Notes

1. The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
3. The Manufacturing PMI is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.
4. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"

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