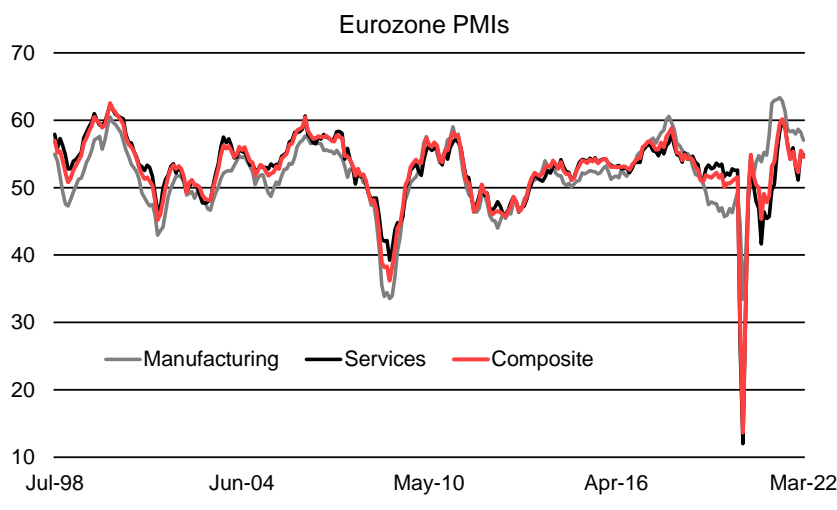


## Eurozone PMIs: Good resilience, but forward-looking indicators point south

- In March, the eurozone composite PMI declined from 55.5 to 54.5 (consensus and UniCredit: 53.8). The manufacturing PMI declined from 58.2 to 57.0 whereas the services PMI declined from 55.5 to 54.8. Today's outcome points to a better-than-expected resilience in economic activity in the aftermath of Russia's invasion of Ukraine, although weakness in forward-looking indicators points to a deceleration in activity ahead.
- The resilience in the composite index was mainly explained by services activity, where the reopening of the economy provided a buffer. However, the significant decline in expectations suggests that the headwinds posed by the conflict might soon start dragging on activity. The economic fallout of the conflict has been more pronounced in the manufacturing sector, where production weakened, and the new export orders index plunged below 50.
- The conflict and the sanctions on Russia are causing shortages of some key intermediate inputs and further disruption of already strained supply chains, which are also negatively affected by new lockdowns in China. About half of the improvement recorded by the index for suppliers' delivery times over the past few months has been reversed in March.
- Inflationary pressures intensified both in the manufacturing and services sector. Manufacturing firms reported renewed strong pressures on input prices, reversing the mild slowdown recorded since November, and prices charged accelerated to a record pace. In the services sector, input prices increased to a new high, with soaring energy prices and rising wages once again reported as the main drivers. Output prices also increased at an unprecedented rate, as services providers seized the opportunity offered by still-favorable demand conditions to pass on higher input costs.

The manufacturing PMI declined from 58.2 to 57.0 whereas the services PMI declined from 55.5 to 54.8.

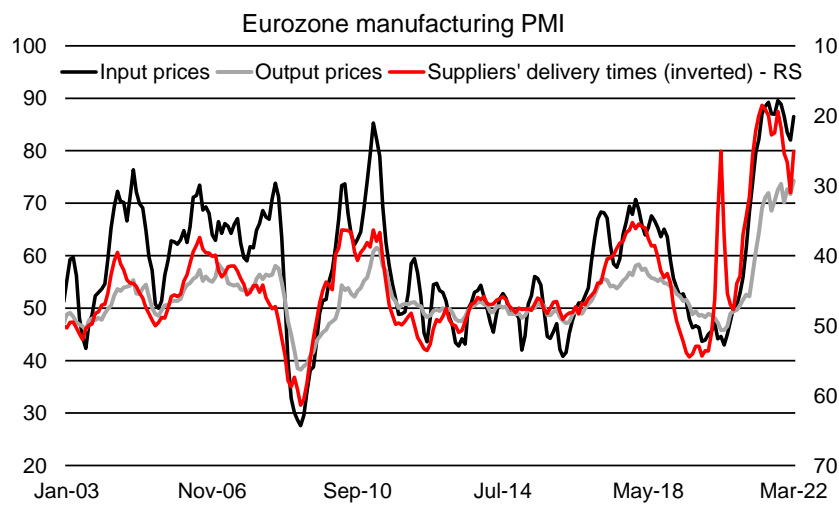
**CHART 1: OVERALL, THE PMIs WERE BETTER THAN EXPECTED**



Source: Markit IHS, UniCredit Research

In manufacturing, input (up to 86.5 from 82.0) and output prices (up to 74.3 from 71.1) reached new highs amid a further sharp increase in the prices of raw materials and energy. Average supplier delivery times lengthened to the greatest extent since December.

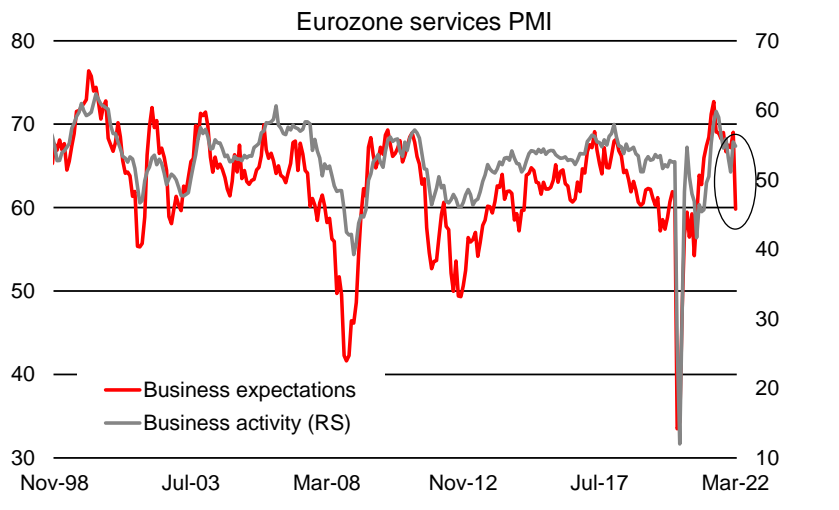
**CHART 2: INFLATIONARY PRESSURES INTENSIFY AMID INCREASED SUPPLY BOTTLENECKS**



Source: Markit IHS, UniCredit Research

While the reopening of the economies has supported services activity in March, services providers have turned quite pessimistic about activity prospects. Business expectations dropped by nearly 10 points to 59.8.

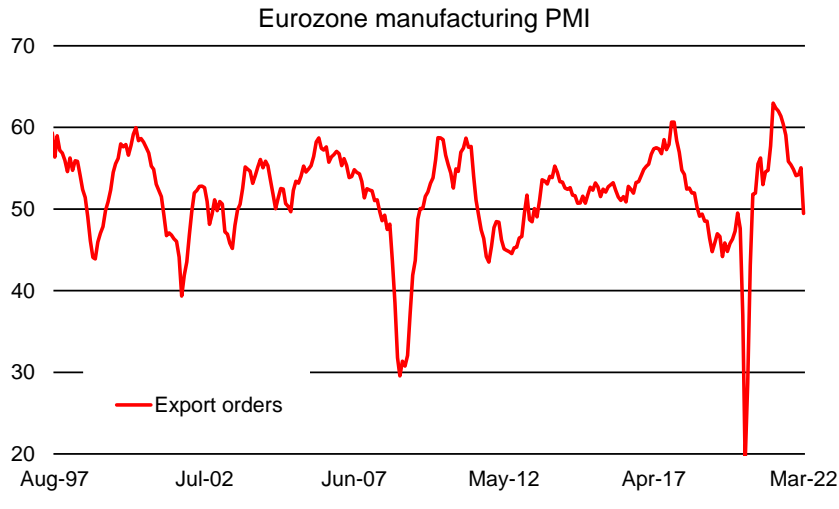
**CHART 3: BUSINESS EXPECTATIONS MOVED SOUTH**



Source: Markit IHS, UniCredit Research

Export orders plunged below 50 (to 49.5) for the first time since the recovery from the first pandemic lockdown started in July 2020.

**CHART 4: EXPORT ORDERS PLUNGED**



Source: Markit IHS, UniCredit Research

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