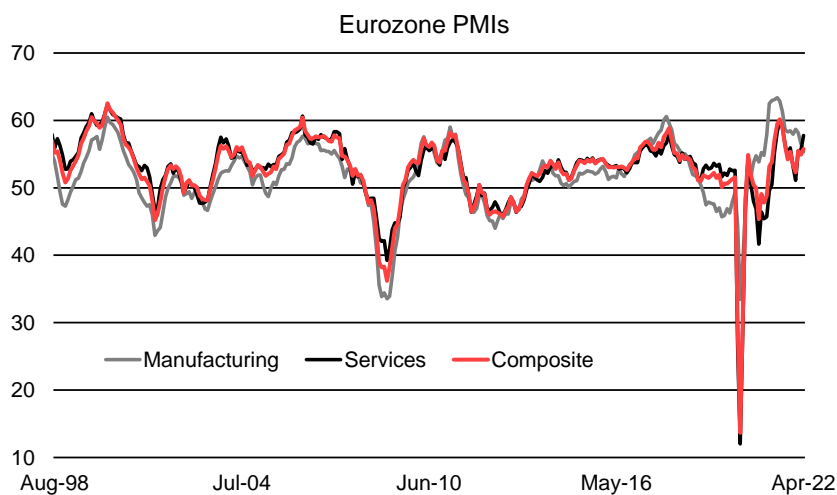


## Eurozone PMIs: resilience, but largely due to reopening

- In April, the eurozone composite PMI rose from 54.9 to 55.8, beating expectations for a decline (consensus: 53.9; UniCredit: 54.0). The acceleration in economic activity reflects divergent trends at sectoral level. On the one hand, there is the services sector (up from 55.6 to 57.7) that benefits from pent-up demand in the wake of the reopening of the economy. On the other hand, the manufacturing sector (down to 55.3 from 56.5) is under pressure due to a combination of supply constraints, worsening price pressure and expenditure-switching towards services.
- The divergence between the two sectors is particularly pronounced when looking at indicators of demand conditions. The index for new orders in the manufacturing sector declined to the lowest level since June 2020, whereas new business in the services sector rose to its highest level since late last summer, before a new pandemic wave spread.
- Inflationary pressures remain strong. Prices charged for goods and services rose at an unprecedented rate in April as higher costs from raw materials, energy and wages were passed on to customers. The index for input prices further increased in the manufacturing sector while it slightly declined in the services sector after having hit an all-time high in March.
- Overall, two months since the start of the conflict in Ukraine, the general picture is that of still-growing economic activity driven by the reopening of economies as pandemic restrictions are lifted. Manufacturing activity struggles, particularly in those countries, like Germany, which are more exposed to supply chains disruptions, which appear far from abating. Accordingly, growth prospects remain subject to downside risks as the fading of the reopening effect risks causing a significant slowdown in activity if the manufacturing sector remains under pressure.

The manufacturing PMI declined from 56.5 to 55.3 whereas the services PMI rose from 55.6 to 57.7.

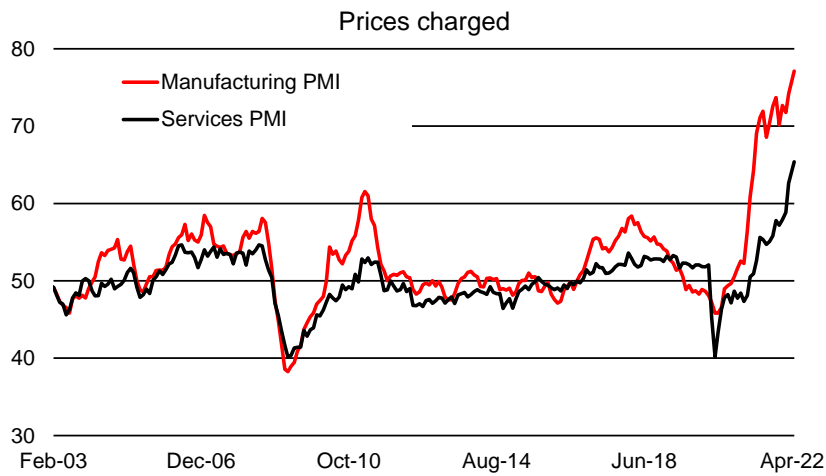
CHART 1: BETTER THAN EXPECTED



Source: Markit IHS, UniCredit Research

Price charged for goods and services rose to fresh highs in April. In manufacturing, the index rose from 74.2 to 77.1, while in the services sector it rose from 62.6 to 65.4.

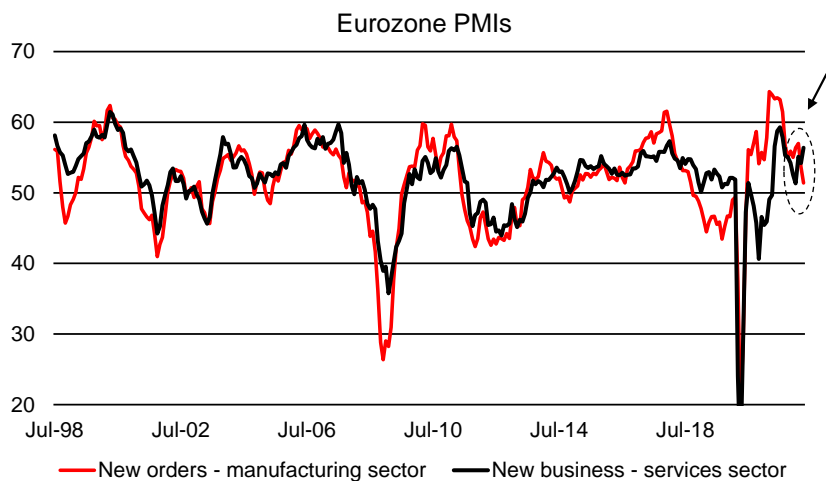
**CHART 2: PRICE CHARGED ROSE TO FRESH HIGHS**



Source: Markit IHS, UniCredit Research

In the services sector, pent up demand lifted the new business indicator to 56.4 from 54.2. In manufacturing, new orders declined to 51.4 from 53.7, with export orders growth contracting further (49.3 from 49.7).

**CHART 3: DEMAND FIRMS IN SERVICES WHILE IT WEAKENS IN MANUFACTURING**



Source: Markit IHS, UniCredit Research

In the German manufacturing sector, both the output and new orders index fell below the 50 threshold that separates expansion from contraction. The output index fell from 53 to 47.4 and the new orders index declined from 54 to 47.8.

**CHART 4: GERMAN MANUFACTURING SECTOR PARTICULARLY UNDER PRESSURE**



Source: Markit IHS, UniCredit Research

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