

## MARKET SENSITIVE INFORMATION

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# S&P Global Eurozone Composite PMI®

## Service sector drives eurozone growth higher in April as manufacturing slowdown continues

### Key findings:

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

Final Eurozone Services Business Activity Index at 57.7 (Mar: 55.6). 8-month high.

Data were collected 08-26 April

April survey data highlighted the growing emergence of a two-speed economy across the euro area as faster service sector growth starkly contrasted with a slowdown across manufacturers. Nonetheless, private sector output within the eurozone grew at the fastest pace in seven months at the start of the second quarter as demand continued to be buoyed by fewer COVID-19 restrictions.

Signs of fragility were also apparent across the composite data as new export orders declined for a second successive month, while business confidence remained well beneath February's level (and therefore prior to Russia's invasion of Ukraine) as rising inflation and heightened geopolitical tensions both weighed on sentiment.

Prices data meanwhile highlighted the intense inflationary environment across the eurozone in April as prices charged for goods and services increased at an unprecedented rate amid steep cost pressures.

The seasonally adjusted **S&P Global Eurozone PMI® Composite Output Index** rose to 55.8 in April, up from 54.9 in March and indicative of an accelerated expansion in eurozone economic activity that was the strongest since September 2021.

That said, the improvement in the headline figure masked widely divergent trends at the sector level, with data revealing sharp services activity growth but a sluggish increase in manufacturing output. In fact, the rise in goods production was marginal and the slowest in the current 22-month growth period. By contrast, business activity among services firms rose at the quickest pace in eight months.

By country<sup>1</sup>, latest survey data showed France as the fastest-growing monitored eurozone constituent. The French private sector posted its sharpest expansion in over four years during April. Quicker upturns were also seen in Spain and Italy, while Germany bucked the trend as growth here slowed to a three-month low.

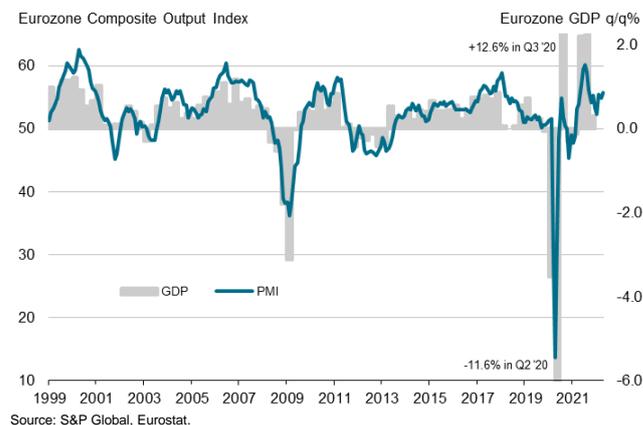
### Countries ranked by Composite PMI Output Index: April\*<sup>1</sup>

France	57.6 (flash: 57.5)	51-month high
Spain	55.7	2-month high
Italy	54.5	4-month high
Germany	54.3 (flash: 54.5)	3-month low

\* Composite Output PMI against GDP comparisons for Germany, France, Italy and Spain are included on page 3 of this press release

<sup>1</sup> Ireland Services and Composite PMI data are released 5 May.

### S&P Global Eurozone Composite Output Index



According to surveyed businesses, the lifting of COVID-19 restrictions in recent months continued to support greater levels of activity in April, with some companies catching up on work and reporting greater client appetite. Incoming new business volumes rose strongly and at a faster pace at the beginning of the second quarter amid a further improvement in general demand conditions across the euro area.

That said, increases in new orders were a reflection of domestic market gains in April as new export orders (which includes trade between euro area countries) fell. The reduction, albeit only modest, was the second in successive months and the sharpest since November 2020. Sub-sector data showed a stagnation in overseas demand for services and a continued contraction in goods exports.

The strong trend in jobs growth seen since around the middle of last year continued in April as employment rose at the fastest pace in five months. Overall, the increase in staffing levels was considerably stronger than its historical average, with robust hiring activity recorded across both monitored sectors.

Nevertheless, operating capacities were stretched further

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during April, as evidenced by a fourteenth successive monthly increase in backlogs of work. The rate of accumulation in outstanding business edged up slightly since March, but remained weaker than the survey highs seen last year.

Regarding prices, latest survey data highlighted intense inflationary pressures across the euro area in April. Input costs rose at the second-sharpest rate in nearly 24 years of data collection, with the rate of increase slowing only slightly from March's survey record. To protect margins, euro area businesses raised their prices charged to the greatest extent on record (output prices data were first collected in November 2002).

Lastly, business expectations remained somewhat subdued in April, particularly when compared with the levels of optimism seen in January and February. Having slumped to a 17-month low in March, business confidence moved only slightly higher in the latest survey period as the war in Ukraine and concerns surrounding inflation weighed on the outlook.

## S&P Global Eurozone Services PMI®

The S&P Global Eurozone PMI Services Business Activity Index rose to 57.7 in April, from 55.6 in March, signalling a thirteenth successive monthly expansion in services output across the euro area. Moreover, the expansion signalled was the strongest since last August and marked a further improvement from January's recent low.

Supporting activity was a strong rise in new business during April. The rate of new order growth accelerated to an eight-month high. New export business was unchanged from March, however.

Strong jobs growth continued during the latest survey period and was unchanged from March's four-month high. Nonetheless, service providers recorded a further increase in their outstanding business volumes.

Steep price pressures remained apparent in April as input costs rose at the second-fastest rate on record. Prices charged for the provision of euro area services rose at the strongest pace on record as firms passed on greater cost burdens to their customers.

Lastly, although the level of business confidence improved since March, it was the second-weakest since November 2020.

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

*"The eurozone economy has shown surprising resilience in the face of the Ukraine-Russia war, thanks to a renewed burst of service sector activity as virus containment measures were relaxed further during April. The survey data are consistent with GDP rising at a quarterly rate of around 0.7% at the start of the second quarter after signalling a 0.4% rise in the first quarter.*

*"Unfortunately the acceleration of output growth seen during the month was accompanied by a further surge in costs, which fed through to a record rise in average prices charged for goods and services.*

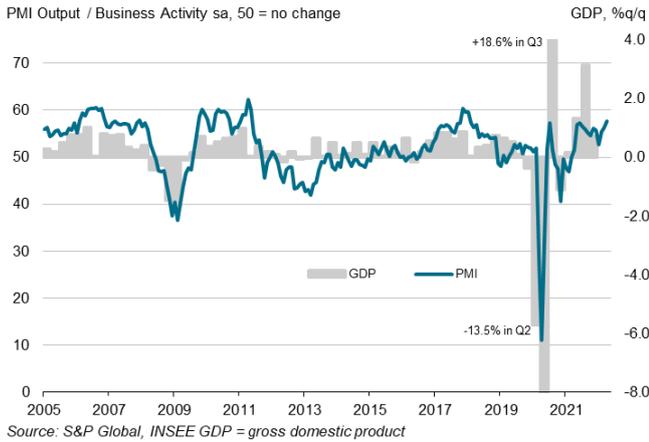
*"The combination of the stronger growth profile for the second quarter and a persistent acceleration of inflation signalled by the surveys will add to speculation that the ECB could start raising interest rates as soon as its July meeting.*

*"However, downside growth risks have increased, meaning policymakers could take a more cautious approach to tightening policy. Manufacturing growth has almost stalled, led by falling production in Germany, due to the new supply chain shocks and uncertainty caused by Russia's invasion of Ukraine. It also remains unclear as to whether the service sector can sustain its current growth once the initial rebound from the reopening of the economy fades, especially given the soaring cost of living. Hopes of the economy being buoyed by pent-up demand may be confounded if spending power is eroded by inflation and risk aversion sets in, encouraging saving. The data flow as we head into the summer will therefore likely prove pivotal to policymakers in their assessment of whether the eurozone's economic resilience can prove enduring."*

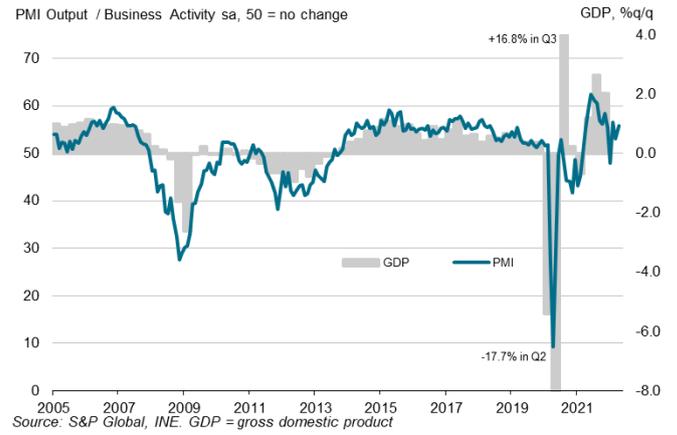
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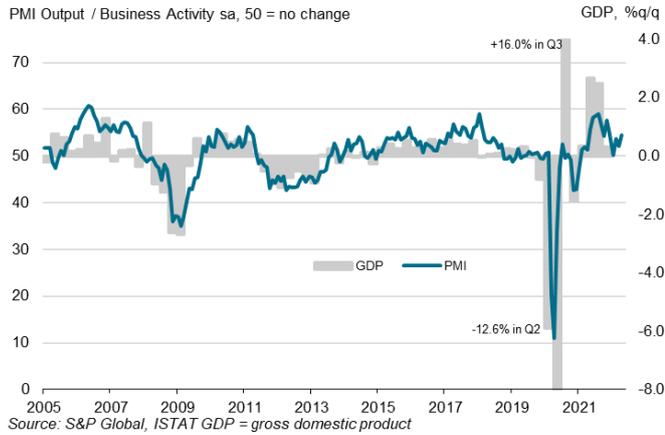
## France



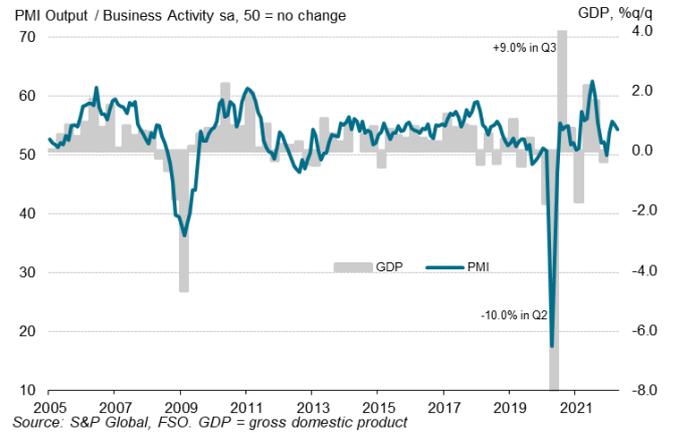
## Spain



## Italy



## Germany



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## Note to Editors

The Eurozone Composite 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 manufacturing and services firms. 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 Eurozone Services PMI (Purchasing Managers' Index) is produced by S&P Global and is based on original survey data collected from a representative panel of around 2,000 private service sector firms. National data are included for Germany, France, Italy, Spain and the Republic of Ireland. These countries together account for an estimated 78% of eurozone private sector services output.

The final Eurozone Composite PMI and Services PMI follows on from the flash estimate which is released a week earlier and is typically based on approximately 75%–85% of total PMI survey responses each month. The April composite flash was based on 83% of the replies used in the final data. The April services flash was based on 74% of the replies used in the final 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
Eurozone Composite Output PMI	0.0	0.2
Eurozone Services Business Activity PMI	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](mailto:economics@ihsmarkit.com).

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## About PMI

Purchasing Managers' Index® (*PMI*®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

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