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EcoBrief

Eurozone: How far can the divergence between industry and services go?

Industry, services: which sectors will bring the other in its wake? This is the question that arises when one observes the current divergence of the S&P Global PMI indices for the euro area. Friday's results first indicate that overall activity is not faltering: the composite index rose from 53.7 to 54.4. Nevertheless, the growing gap between the industry and services indicators raises questions about the continuation of the current economic cycle and a possible reversal: the manufacturing PMI fell further in contractionary territory (-1.8 points to 45.5). Conversely, the services index rose again, by 1.6 points to 56.6, the best reading in a year.

Three additional information emerges from this report.

- The labour market is resilient to current economic shocks: the composite index rose from 53.3 to 54.8. While falling, the manufacturing index remained positive at 51.4;
- The delivery times index is at a record level, but this result must be taken with caution. While supply chain pressures have indeed eased, the sharp decline in the manufacturing PMI index shows that this is now largely due to weaker demand;
- Inflationary pressures are still receding in manufacturing with the input price index slipping 3 points to 43.6 and returning to its levels at the end of 2019. The input price index for services fell by 1 point but remained very high at 67.6 in April.

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