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Eurozone economy boosted by service sector growth

The eurozone composite PMI increased from 53.7 to 54.4, marking an acceleration of growth at the start of the second quarter as price pressures fade further. A rebound in services masks weakening manufacturing performance



Pictured: France's business district at La Defence

The PMI sheds a positive light on the economic performance in the eurozone, as a pickup in service sector activity is boosting growth. The increase in the services PMI from 55 to 56.6 was particularly strong and marks the highest reading in a year. The PMI also paints a picture of increasing divergence, though.

The manufacturing output PMI dropped sharply from 50.4 to 48.5 as new orders remained weak and most activity is currently coming from reducing backlogs of work. This reading is in line with production contraction. Overall, it looks like the economy is rebounding from a feeble winter at the moment, but manufacturing weakness remains a concern and dampens the upturn.

Like last month, the survey indicates that price pressures are easing. In manufacturing, cost pressures are falling quickly on the back of improving supply chain problems and weakening new orders. Service sector inflationary pressures are also coming down, but at a slower pace due to

rising wages. For the European Central Bank, this remains the largest concern in tackling inflation right now.

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