

# Under pressure

## Global PMI wrap-up (Apr)

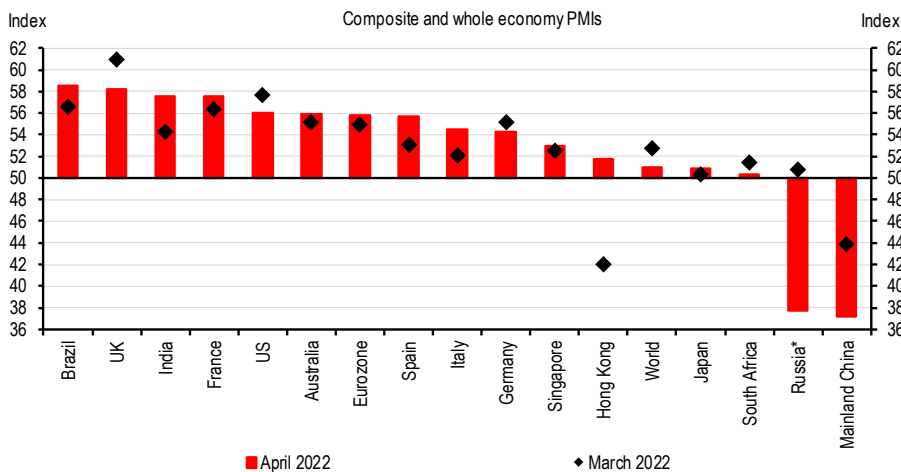
Free to View  
Economics - Global

- ◆ COVID-19 related disruptions in mainland China weighed on the global manufacturing and services PMIs...
- ◆ ...offsetting some resilience in activity elsewhere...
- ◆ ...while higher input costs continue to put upward pressure on output prices in the developed economies

**Maitreyi Das**  
Economist  
HSBC Securities and Capital Markets (India) Private Limited

**James Pomeroy**  
Economist  
HSBC Bank plc

### Composite PMIs – World at a glance



Source: S&P Global, HSBC. Note: \* Russia data is for March 2022 and February 2022

Global PMI data for April point to further downside risks for global growth. The global composite PMI fell to 51.0, down from 52.7 in March, with a slightly bigger drop in services than in manufacturing. Most of the fall was as a result of the sharp drops in PMIs in mainland China due to local lockdowns, but we also saw notable weakness in the US service sector, both of which more than offset some improvements in some of the activity surveys from Asia and Europe.

The COVID-related restrictions in mainland China are impacting on the global economy via weaker demand and adding to the global supply chain challenges already exacerbated by the war in Ukraine and the escalating sanctions. Pricing indices within the PMIs continue to rise. Moreover, in the manufacturing surveys the gap between input and output price components is narrowing, suggesting more firms are passing on their cost increases.

Given the intensifying squeeze on households' real incomes – and consumer and national business surveys in much of the world now pointing down – these PMIs are consistent with a softening in demand even where some support from re-opening is softening the impact.

*This is a Free to View version of a report by the same title published on 5-May-22. Please contact your HSBC representative or email [AskResearch@hsbc.com](mailto:AskResearch@hsbc.com) for more information.*

### Disclaimer & Disclosures

This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it.

Issuer of report: HSBC Bank plc

View HSBC Global Research at:  
<https://www.research.hsbc.com>

## What are the data telling us?

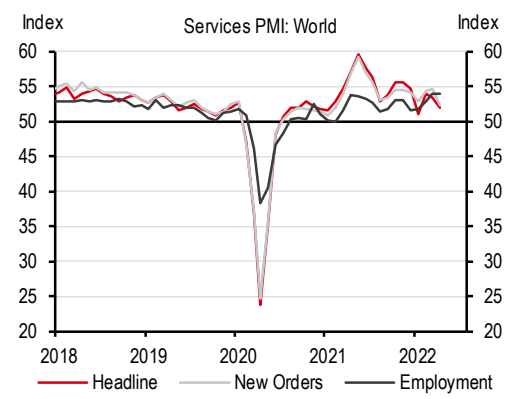
The global composite PMI came in at 51.0 in April, down from 52.7 in March. While services PMIs improved in the eurozone as COVID-19 related restrictions eased, another very weak reading in mainland China and cooling momentum in the US and the UK saw an overall slowdown in the pace of global services activity. Likewise, the global manufacturing PMI slipped to another multi-month low on the back of weaker data in mainland China while the manufacturing PMI fared a little better elsewhere in Asia despite the highly uncertain global backdrop.

### 1. The global manufacturing PMI slowed in March owing to geopolitical tensions



Source: S&P Global

### 2. The global services PMI fell in April, led by slowdown in mainland China

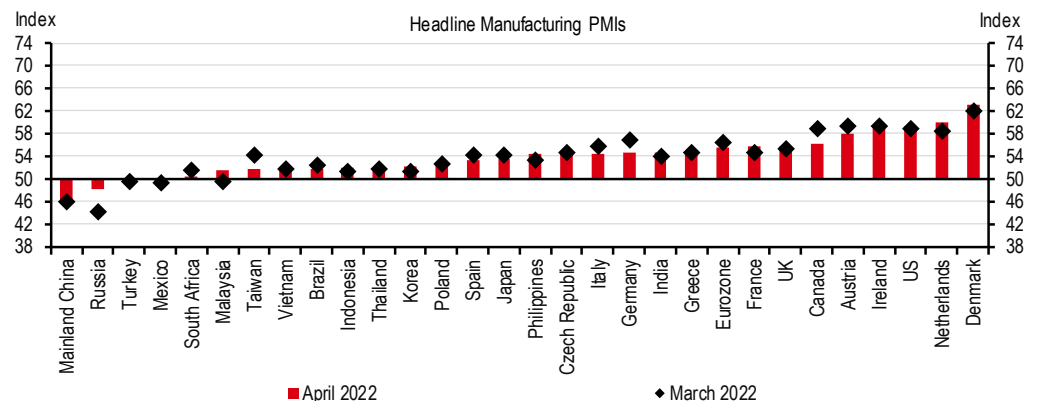


Source: S&P Global

## Manufacturing: The mainland China impact

The global manufacturing PMI data in April remained remarkably steady asides from mainland China. Despite ongoing headwinds from the conflict in Ukraine, pandemic-related restrictions and supply chain disruptions, the global aggregate manufacturing PMI only edged down from 52.9 to 52.2. There was a wide range of outcomes across the world – with a handful of economies (such as Korea, India, the US, the UK and the Philippines) seeing an improvement, while we saw slight softening in the likes of Brazil and the Eurozone, although even in the latter a few countries improved.

### 3. The manufacturing sector moderated, but remains in expansionary territory in most of the world

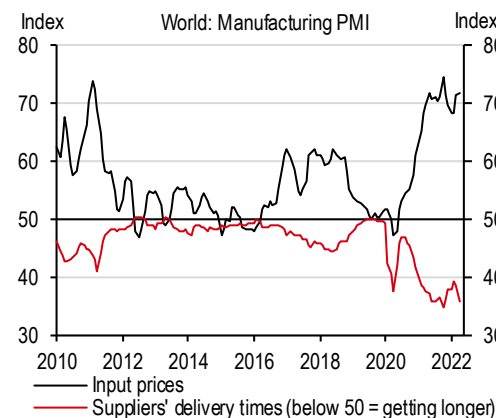


Source: S&P Global

However, the biggest story was the collapse in the surveys in mainland China – where the headline manufacturing index fell by 2.1 points to 46.0, suggesting a sharp downturn in activity for the second month in a row. The NBS PMI also fell by a similar magnitude as a result of the lockdowns and restrictions put into place in numerous cities.

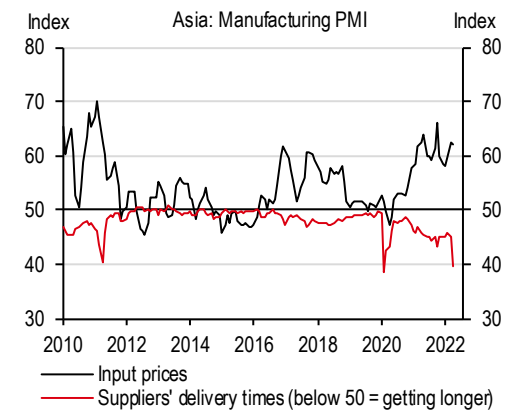
While the demand side of the global manufacturing PMIs has held up relatively well amid the highly uncertain global backdrop, the concern from these data is on the supply side. The global manufacturing PMI suppliers' deliveries time index deteriorated again, led by the impact in Asia.

#### 4. The global supplier deliveries index fell again...



Source: S&P Global

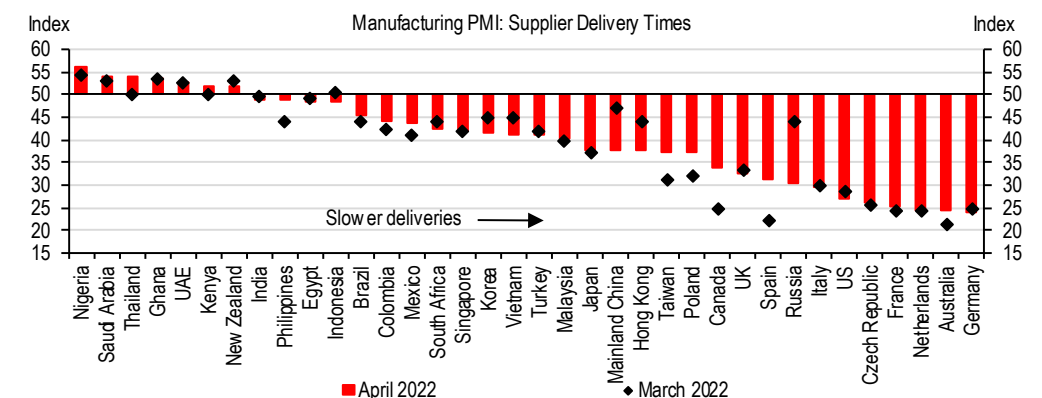
#### 5. ...due to weakness in Asia, notably mainland China



Source: S&P Global

On an economy-by-economy basis, we can see that the biggest issues on the supply chain front are in most developed economies. Unsurprisingly, the index weakened most in Russia and mainland China but we saw a worsening in delivery times in Hong Kong and Korea, too. The data look slightly better in Poland, Spain, Taiwan, Philippines and Canada, on the other hand.

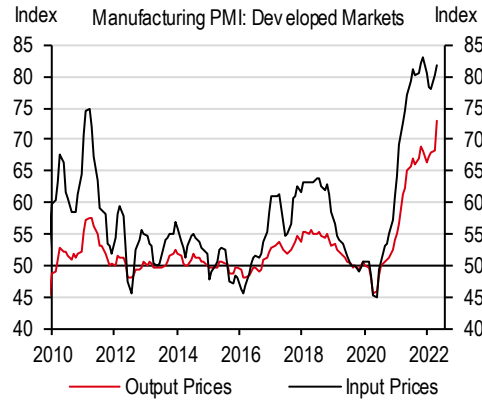
#### 6. Delivery times lengthened in many economies in April



Source: S&P Global

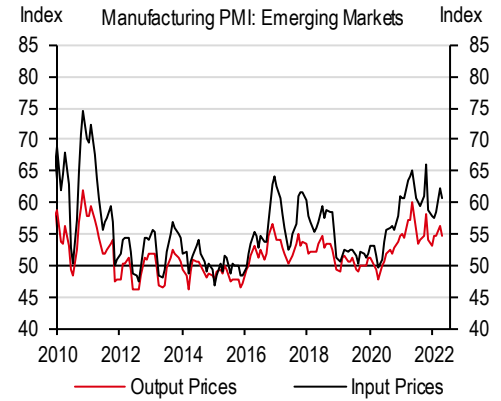
This adds to the global inflationary concerns that have intensified in recent months. The global input price index saw another increase to a fresh multi-year high, while firms continue to pass on more of these price increases, particularly in the developed world. In the emerging world, input and output price pressures look to have softened a little in aggregate. The moderation in input prices was notably led by Brazil (3.6pt drop) but many in Asia edged lower too. India was the main outlier with a 1.6pt rise in the same index.

**7. Price pressures intensified again in the developed world...**



Source: S&P Global

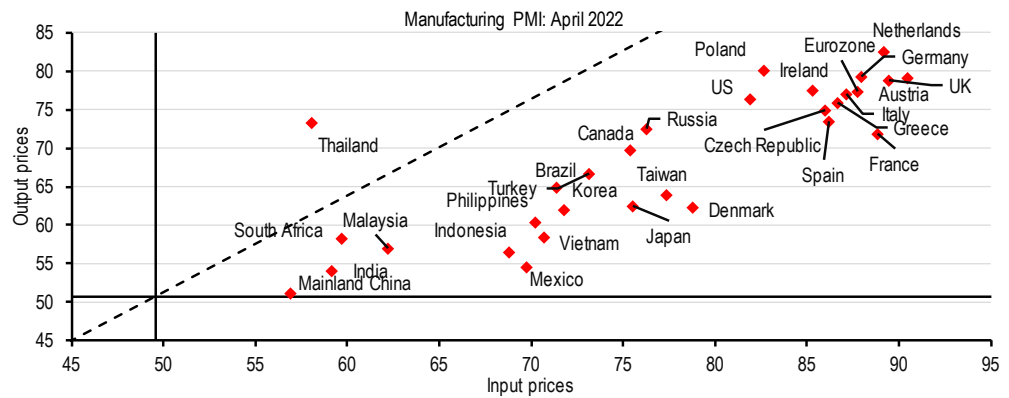
**8. ...but without the same impact in the emerging world**



Source: S&P Global

As for the output price index, the biggest rises were in many developed markets, including the US (up by 6.6pts), the UK (7.5pts) and Germany (3.7pts) so much more than the rise in the input indices. The narrowing gap between the two indices suggests that firms in the advanced economies are passing more of their costs onto their customers.

**9. Renewed price pressures in March are likely to keep output prices elevated in the coming months**



Source: S&P Global

**Services: Weighed down**

The service sector, for now, may be less influenced by geopolitical tensions and supply shortages. Instead, activity has either been adversely affected by lockdowns (mainland China) or the squeeze on incomes (US and UK), while the eurozone continues to see a grind higher on the slow relaxing of pandemic-related restrictions. The global services PMI fell from 53.4 in March to 51.9 in April.

The story is a little different in Asia from the west. Mainland China saw another sharp fall in the services PMI to 36.2 from 42.0 as pandemic restrictions sapped optimism from the economy. Both activity and new orders fell at the second sharpest rates since the survey began in 2005, and were exceeded only by those seen at the initial onset of the pandemic. Meanwhile, in India, the services PMI rose to 57.9 in April from 53.6 in March supported by increased new business and employment. That said, price pressures continue to intensify in India as well.

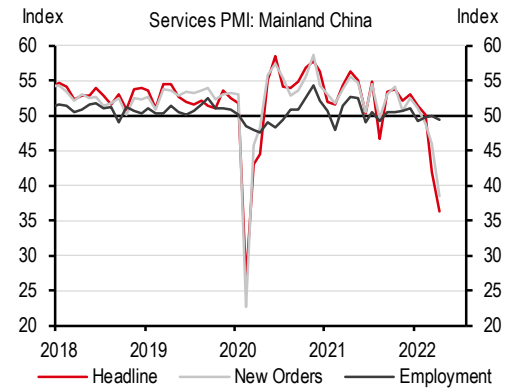
In Europe, there was still some re-opening momentum in the service sector in April with the eurozone aggregate services PMI rising from 55.6 to 57.7, despite the deepening of the real income squeeze.

**10. The eurozone services PMI improved again as more restrictions were relaxed**



Source: S&P Global

**11. ...but mainland China's services PMI saw a sharp fall**

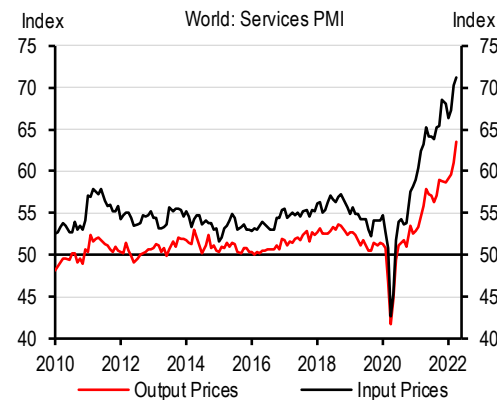


Source: S&P Global

It was a different story in the UK and the US, both further ahead in their reopening. Hence the realities of a cost-of-living squeeze may have weighed on activity. Whilst both readings still point to a decent pace of service sector activity growth (58.9 in the UK and 55.6 in the US), the marked falls in the headline index and new orders components suggest that firms' optimism may have been dented somewhat. In the US, the S&P Global services PMI fell from 58.0 to 55.6 and the ISM services survey fell from 58.3 to 57.1. Despite the moderating headline survey, output and new orders still continue to rise. But the main concern is the sharp rise in input and output prices due to labour shortages and rising cost of raw materials.

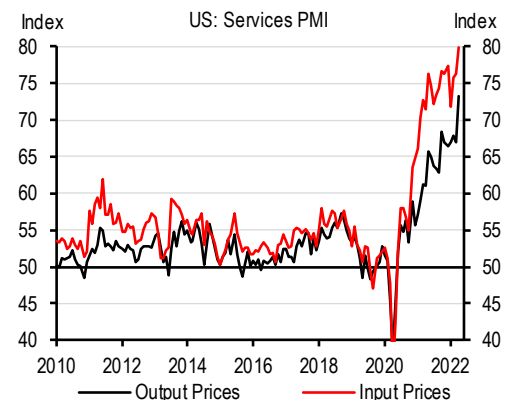
Globally, price pressures continue to build in the service sector, as a result of higher input costs. This includes underlying commodity prices and labour, and firms continue to pass these higher input prices onto their customers. In fact, output charges rose at a record pace in the survey history reflecting efforts to pass on near-record increase in input costs.

**12. Increased supply chain disruptions resulted in new highs for prices**



Source: S&P Global

**13. Input and output prices have reached a new record in the US**



Source: S&P Global

## Summary

The April PMI data show a global economy facing many challenges. Weaker growth in mainland China is already here, but further supply chain disruptions could weigh on activity and push up costs in the coming months, adding to the headwinds from a cost of living squeeze, higher rates and choppy financial markets.

# Disclaimer

The following analyst(s), who is(are) primarily responsible for this document, certifies(y) that the opinion(s), views or forecasts expressed herein accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Maitreyi Das and James Pomeroy

This document has been issued by HSBC Bank plc, which has based this document on information obtained from sources it believes to be reliable but which it has not independently verified. Neither HSBC Bank plc nor any member of its group companies ("HSBC") make any guarantee, representation or warranty nor accept any responsibility or liability as to the accuracy or completeness of this document and is not responsible for errors of transmission of factual or analytical data, nor is HSBC liable for damages arising out of any person's reliance on this information. The information and opinions contained within the report are based upon publicly available information at the time of publication, represent the present judgment of HSBC and are subject to change without notice.

This document is not and should not be construed as an offer to sell or solicitation of an offer to purchase or subscribe for any investment or other investment products mentioned in it and/or to participate in any trading strategy. It does not constitute a prospectus or other offering document. Information in this document is general and should not be construed as personal advice, given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on it, consider the appropriateness of the information, having regard to their objectives, financial situation and needs. If necessary, seek professional investment and tax advice.

The decision and responsibility on whether or not to purchase, subscribe or sell (as applicable) must be taken by the investor. In no event will any member of the HSBC group be liable to the recipient for any direct or indirect or any other damages of any kind arising from or in connection with reliance on any information and materials herein.

Past performance is not necessarily a guide to future performance. The value of any investment or income may go down as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price or income of that investment. In case of investments for which there is no recognised market it may be difficult for investors to sell their investments or to obtain reliable information about its value or the extent of the risk to which it is exposed. Some of the statements contained in this document may be considered forward looking statements which provide current expectations or forecasts of future events. Such forward looking statements are not guarantees of future performance or events and involve risks and uncertainties. Actual results may differ materially from those described in such forward-looking statements as a result of various factors.

This document is for information purposes only and may not be redistributed or passed on, directly or indirectly, to any other person, in whole or in part, for any purpose. The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. By accepting this report, you agree to be bound by the foregoing instructions. If this report is received by a customer of an affiliate of HSBC, its provision to the recipient is subject to the terms of business in place between the recipient and such affiliate. The document is intended to be distributed in its entirety. Unless governing law permits otherwise, you must contact a HSBC Group member in your home jurisdiction if you wish to use HSBC Group services in effecting a transaction in any investment mentioned in this document.

Certain investment products mentioned in this document may not be eligible for sale in some states or countries, and they may not be suitable for all types of investors. Investors should consult with their HSBC representative regarding the suitability of the investment products mentioned in this document.

HSBC and/or its officers, directors and employees may have positions in any securities in companies mentioned in this document. HSBC may act as market maker or may have assumed an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell or buy securities and may also perform or seek to perform investment banking

or underwriting services for or relating to those companies and may also be represented on the supervisory board or any other committee of those companies.

HSBC will from time to time sell to and buy from customers the securities/instruments (including derivatives) of companies covered in HSBC Research on a principal or agency basis.

From time to time research analysts conduct site visits of covered issuers. HSBC policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

Analysts, economists, and strategists are paid in part by reference to the profitability of HSBC which includes investment banking, sales & trading, and principal trading revenues.

Whether, or in what time frame, an update of this analysis will be published is not determined in advance.

For disclosures in respect of any company mentioned in this report, please see the most recently published report on that company available at [www.hsbcnet.com/research](http://www.hsbcnet.com/research).

HSBC Bank plc is registered in England No 14259, is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is a member of the London Stock Exchange. (070905)

#### **Additional disclosures**

- 1 This report is dated as at 05 May 2022.
- 2 All market data included in this report are dated as at close 04 May 2022, unless a different date and/or a specific time of day is indicated in the report.
- 3 HSBC has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. HSBC's analysts and its other staff who are involved in the preparation and dissemination of Research operate and have a management reporting line independent of HSBC's Investment Banking business. Information Barrier procedures are in place between the Investment Banking, Principal Trading, and Research businesses to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.
- 4 You are not permitted to use, for reference, any data in this document for the purpose of (i) determining the interest payable, or other sums due, under loan agreements or under other financial contracts or instruments, (ii) determining the price at which a financial instrument may be bought or sold or traded or redeemed, or the value of a financial instrument, and/or (iii) measuring the performance of a financial instrument or of an investment fund.

© Copyright 2022, HSBC Bank plc, ALL RIGHTS RESERVED. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of insert issuing entity name. MCI (P) 037/01/2022, MCI (P) 017/10/2021

[1192247]