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Economic Research

Economic Briefing

Euro area PMIs – Manufacturing slowly recovers

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The combined purchasing managers' index for industry and the service sector in the euro area rose slightly from 50.2 to 50.4. This is mainly due to the recovery of the manufacturing sector in Germany and France. Although the index for the service sector in the euro area was actually slightly lower than in the previous month, the purchasing managers' indices point to a revival of the economy in the euro area.

The combined purchasing managers' index for industry and the service sector in the euro area rose slightly in March from 50.2 to 50.4 points. In advance of the release, economists had expected a somewhat larger increase (to 50.7). The sentiment indicator thus continued the gradual recovery that began in December last year (Chart 1). The indicator is now clearly in the range in which the economy has grown slightly in the past. Overall, this points to a moderate recovery of the euro economy in the current year.

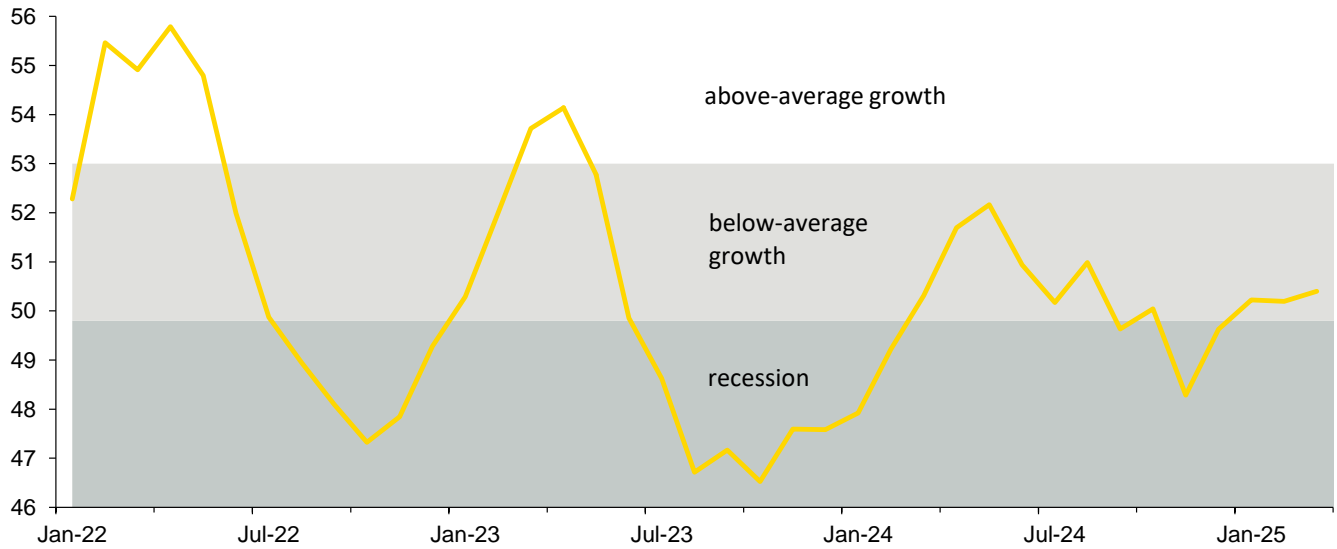


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Chart 1 - Euro area PMI recovers slowly

Euro area composite PMI, seasonally adjusted monthly figures



Source: S&P Global, Commerzbank Research

Better sentiment in Germany and France

The slightly higher March figure is largely due to the two largest economies in the euro area, France and Germany. In France, the composite indicator for industry and services rose from 45.1 to 47.0, signaling a slower contraction of the economy. The corresponding indicator for the German economy continued its recovery, but rose only slightly from 50.4 to 50.9 points. In the other euro area countries, for which the results will not be published until early April, the national purchasing managers’ index appears to have fallen slightly.

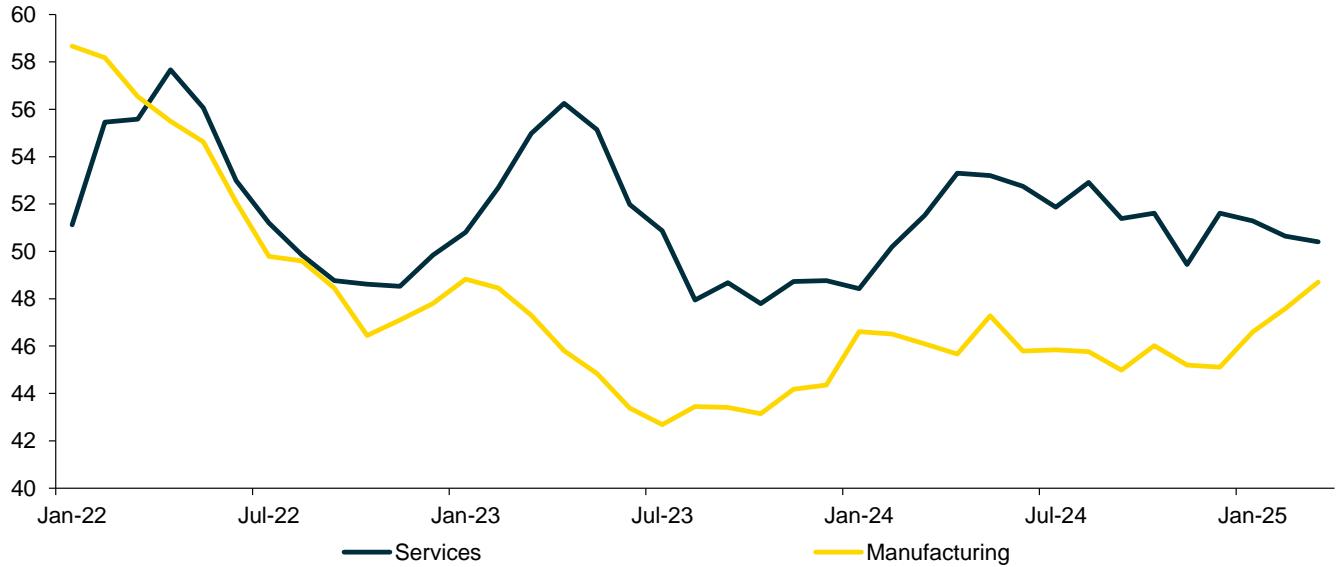
The industry is recovering

The recovery of sentiment in the manufacturing sector in the euro area is particularly striking. In this area, the Purchasing Managers’ Index rose significantly from 47.6 to 48.7 (Chart 2). This is also due to the fact that companies in the manufacturing sector are more positive about their incoming orders than before. By contrast, the index for the services sector fell slightly from 50.6 to 50.4 points. One reason for the recovery in the manufacturing sector is likely to be the ECB’s interest rate cuts. The positive effect of this is likely to intensify in the coming months.



Chart 2 - The sentiment in the manufacturing sector improves

Purchasing Manager Index for the euro area, manufacturing sector and services, seasonally adjusted monthly data



Source: S&P Global, Commerzbank-Research

Nevertheless, the upswing could only be moderate

Despite the further increase in March, the Purchasing Managers' Index remains at a low level. In addition, the threat of additional US import tariffs on goods from the EU poses a further test of endurance – particularly for German industry. This is because more than 10% of all German goods exports go to the US.

Table 1 - Purchasing Managers Index

Euro Area, Purchasing Managers Index, seasonally adjusted

Indicator	Mar-25	Forecasts		Feb-25	Jan-25	Dec-24
		CB	Consensus			
Manufacturing	48.7	48.0	48.2	47.6	46.6	45.1
Services	50.4	51.0	51.1	50.6	51.3	51.6

Source: Bloomberg, Commerzbank-Research



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