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Economic Research

Economic Briefing

Euro Area PMIs – Recovery paused

21 February 2025

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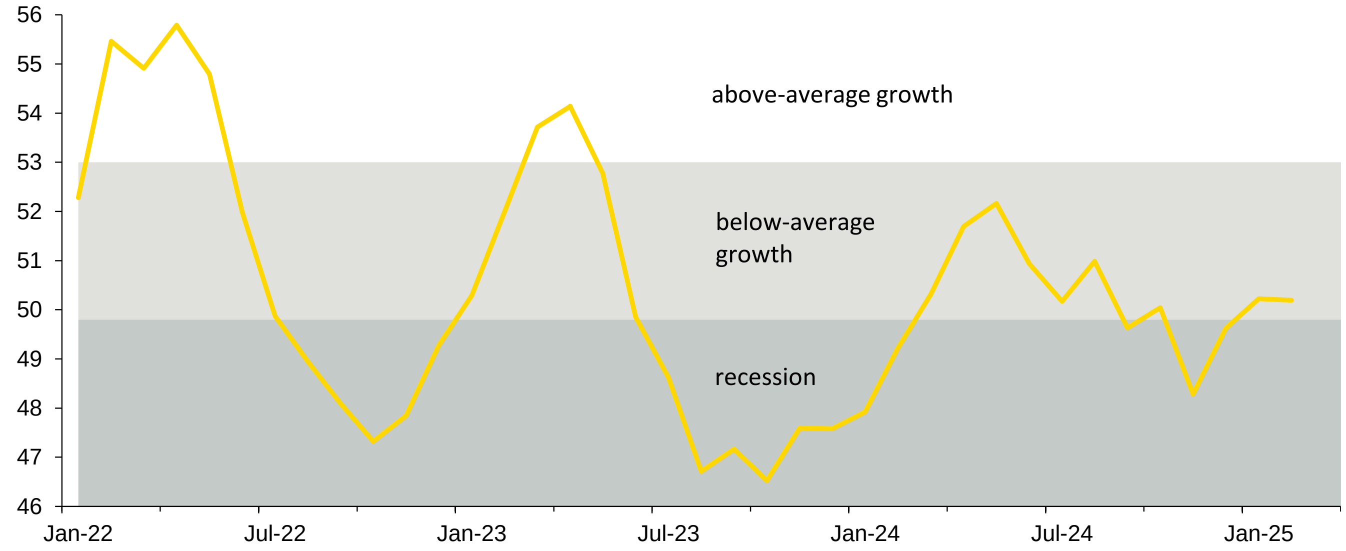
The composite Purchasing Managers' Index for the manufacturing and the service sector in the euro area stagnated at 50.2 points in February, disappointing market expectations. While the manufacturing industry is recovering, the service sector has suffered a setback, particularly in France. Overall, this points to only a moderate upturn in the euro area economy.

The composite Purchasing Managers' Index for the manufacturing and the service sectors in the euro area stagnated at 50.2 points in February. The consensus had expected a slight increase (to 50.5). The sentiment indicator has thus paused its upward trend of recent months, but confirms the end of the winter dip (Chart 1). The indicator remains in a range in which the economy has grown slightly in the past. Overall, this suggests a very moderate recovery of the euro economy in the current year.

A look at the sectors reveals a mixed picture. The Purchasing Managers' Index for services has fallen (from 51.3 to 50.7), mainly due to France. The indicator for the manufacturing industry, on the other hand, has risen from a low level (from 46.6 to 47.3).

Chart 1 - Euro area PMI have paused the recovery

Euro area composite PMI, seasonally adjusted monthly figures



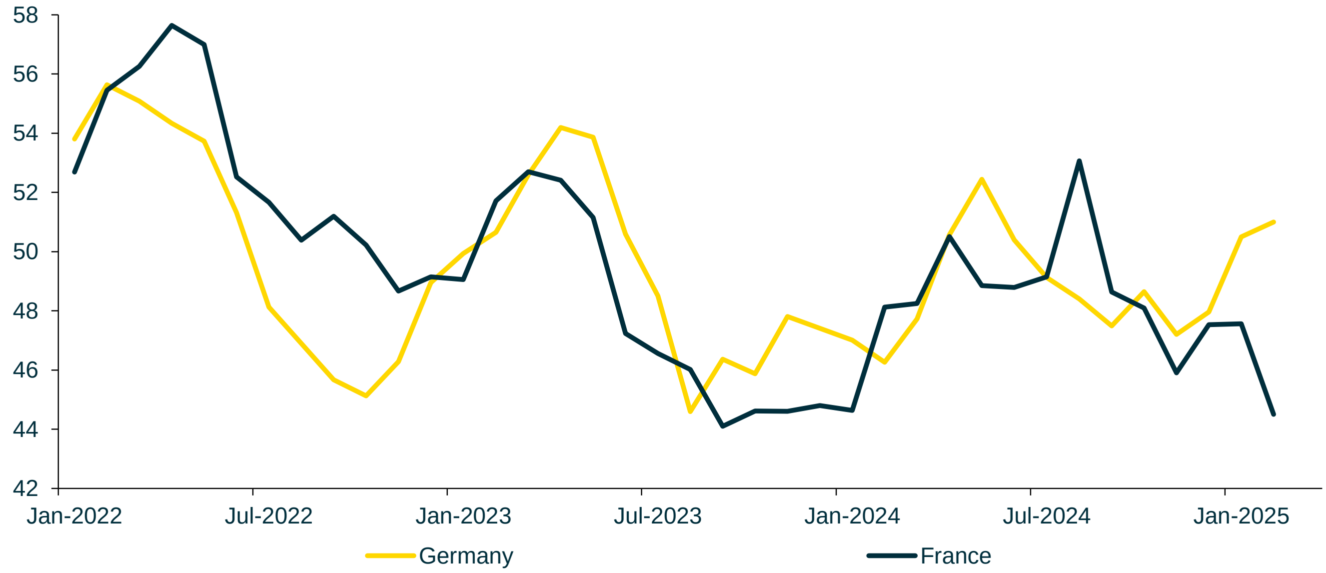
Source: S&P Global, Commerzbank Research

France's PMIs plummet

However, the stagnation of the PMIs conceals an enormous discrepancy between the largest economies in the euro area. While the indicator for Germany has risen slightly (from 50.5 to 51.0), sentiment in France has plummeted (from 47.6 to 44.5, Chart 2.) Apparently, political uncertainty and the discussed austerity measures are weighing on sentiment in France's economy (see our **Economic Insight** on the French economy).

Chart 2 - France's PMIs plummet

French and German composite PMI, seasonally adjusted monthly figures



Source: S&P Global, Commerzbank-Research

Winter dip overcome, but no summer heat in sight

The positive development of the manufacturing sector in particular confirms that the euro area has overcome the winter dip. However, as sentiment indicators are still at a low level, we expect only moderate growth in the euro economy this year. The positive effect of lower key interest rates is only likely to fully unfold in the second half of the year and the economy should pick up somewhat more strongly.

Table 1 - Purchasing Managers Index

Euro Area, Purchasing Managers Index, seasonally adjusted

Indicator	Feb-25	Forecasts		Jan-25	Dec-24	Nov-24
		CB	Consensus			
Manufacturing	47.3	46.5	47.0	46.6	45.1	45.2
Services	50.7	51.5	51.5	51.3	51.6	49.5

Source: Bloomberg, Commerzbank-Research

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This report was completed 21/2/2025 11:10 CET and disseminated 21/2/2025 11:10 CET.

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