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Economic Research

Economic Briefing

Euro area – PMIs spread hope for 2025

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The Composite Purchasing Managers' Index for industry and the services sector in the euro rose significantly from 49.6 to 50.2 points in January, exceeding market expectations. The index is still at a low level. However, the second rise in a row gives hope that the economy will pick up somewhat in the new year after a weak fourth quarter of 2024.

The Composite Purchasing Managers' Index for industry and the services sector rose from 49.6 to 50.2 points at the start of the year. This means that the sentiment indicator has risen for the second month in a row and is now in the range in which the euro area economy has usually grown moderately in the past (Chart 1). This gives us hope that the economy will pick up in the course of this year. However, in view of the continuing low level, the euro economy is likely to recover only slowly after a difficult winter half-year.

The positive development is likely to come primarily from France and Germany. The Composite PMI improved in France (from 47.5 to 48.3) and particularly strongly in Germany (from 48.0 to 50.1). As the index for the euro area rose to a lesser extent, the increase in the rest of the euro area is likely to have been significantly lower.

A look at the sectors shows that the manufacturing PMI in particular has risen (from 45.1 to 46.1), albeit from an extremely low level. This is a ray of hope for the European industry, which had fallen behind in international competition due to high energy prices. Services, on the other hand, fell slightly (from 51.6 to 51.4). Here, a decline in France offset the significant increase in the German services PMI.

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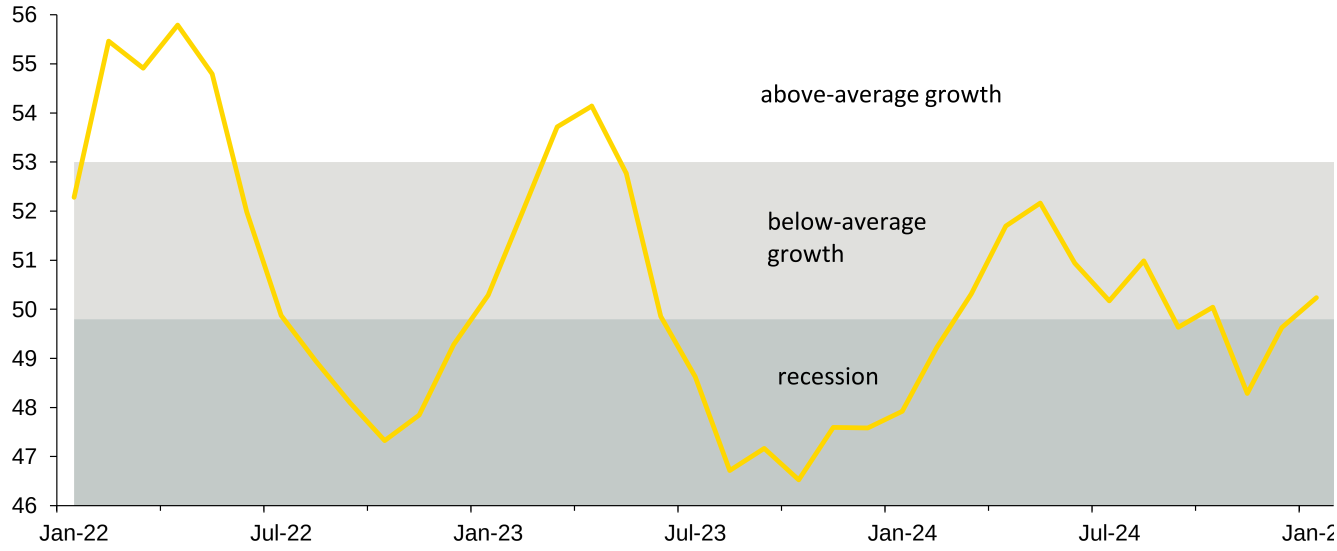
Chart 1 - Euro area PMI recovers at low levels

Euro area composite PMI, seasonally adjusted monthly figures



Source: S&P Global, Commerzbank Research

The economy thaws slowly

Overall, today's figures are a sign for the better in the European economy. However, as the sentiment indicators are still at a low level and today's increase was probably not supported by the development in the southern European countries, we expect only a moderate development of the euro economy in the new year. The positive effect of lower key interest rates should not fully materialize until the second half of the year and only then will the economy pick up more strongly.

Table 1 - Purchasing Managers Index

Euro Area, Purchasing Managers Index, seasonally adjusted

Indicator	Jan-25	Forecasts		Dec-24	Nov-24	Oct-24
		CB	Consensus			
Manufacturing	46.1	45.0	45.5	45.1	45.2	46.0
Services	51.4	51.0	51.5	51.6	49.5	51.6

Source: Bloomberg, Commerzbank-Research

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