Economic Research

Economic Briefing

Euro area PMIs – Germany outperforms

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Dr. Vincent Stamer [AC]

Table of contents

Business sentient in Germany improves significantly 2

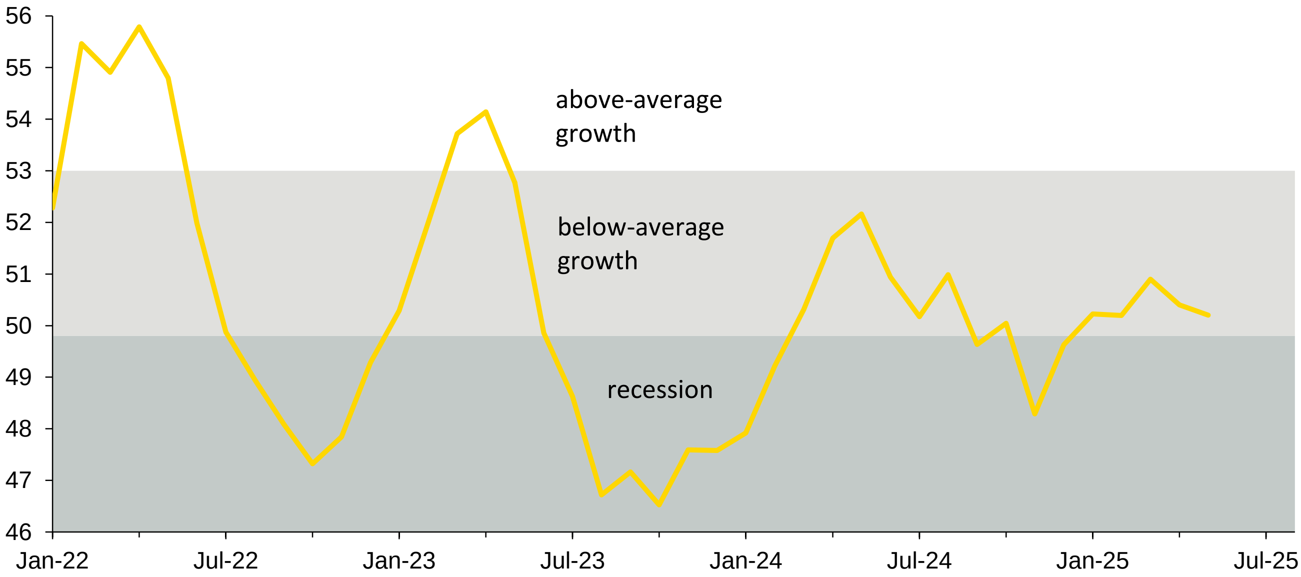
Only moderate upturn in the euro area 2

The composite PMI for manufacturing and the service sector in the euro area remained unchanged at 50.2 points in June. The sentiment in Germany improved, while it deteriorated in France. Germany appears to benefit particularly from the fall in key interest rates. However, due to the contrasting developments between member states, the outlook for the euro area economy as a whole remains muted.

The composite Purchasing Managers' Index (PMI) for manufacturing and the services sector in the eurozone remained at 50.2 in June, as in the previous month, while economists surveyed beforehand had expected a slight recovery. The development in the individual member states varied greatly. While the composite PMI in Germany rose noticeably (from 48.5 to 50.4), it fell in France from 49.3 to 48.5.
With no change in June, the sentiment indicator for the eurozone continues the sideways movement it showed since the beginning of the year (Chart 1). The indicator is just within the range in which the economy has grown slightly in the past. Today's figure once again suggests that the euro area economy will grow only slightly in the current year.

Chart 1 - Euro area PMI moves sideways

Euro area composite PMI, seasonally adjusted monthly figures



Source: S&P Global, Commerzbank Research

Business sentient in Germany improves significantly

The mood in Germany has improved significantly, both in the service sector and in manufacturing. The PMI for manufacturing has been trending upward since the beginning of the year. Although the indicator is still below its long-term average (51.6), at 49.0 points it is nevertheless at its highest level in almost three years. The manufacturing sector, which is important for Germany, appears to be benefiting particularly strongly from the fall in key interest rates. This partly explains Germany's better performance compared with the rest of the eurozone.

Although the German economy is more dependent on exports to the US than other eurozone countries, there has been no significant slump in sentiment in the manufacturing sector due to US tariffs so far.

Only moderate upturn in the euro area

The overall mood in the euro area economy is not exactly exuberant. Today's sideways movement of the Purchasing Managers' Index and the contrasting developments between member states once again illustrate this. The divergent developments between member states are likely to continue in the coming years. Germany is expected to significantly increase its government spending in the coming years, while France and Italy are likely to be forced to cut back on spending due to rising interest payments. Overall, we therefore expect only a lackluster recovery of the eurozone economy over the course of this year.

Table 1 - Purchasing Managers Index

Euro Area, Purchasing Managers Index, seasonally adjusted

Indicator	Jun-25	Forecasts		May-25	Apr-25	Mar-25
		CB	Consensus			
Manufacturing	49.4	50.0	49.7	49.4	49.0	48.6
Services	50.0	50.0	50.0	49.7	50.1	51.0

Source: Bloomberg, Commerzbank-Research

Analysts

Dr. Vincent Stamer [AC]
Senior Economist
+4969935345800
vincent.stamer@commerzbank.com

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Frankfurt	London	New York	Singapore
Commerzbank AG	Commerzbank AG	Commerz Markets LLC	Commerzbank AG
DLZ - Gebäude 2, Händlerhaus	PO BOX 52715	225 Liberty Street, 32nd floor,	128 Beach Road
Mainzer Landstraße 153	30 Gresham Street	New York,	#17-01 Guoco Midtown
60327 Frankfurt	London, EC2P 2XY	NY 10281-1050	Singapore 189773
Tel: + 49 69 136 21200	Tel: + 44 207 623 8000	Tel: + 1 212 703 4000	Tel: +65 631 10000