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Economic Briefing

# Euro-PMIs are gradually turning the corner

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**The composite Purchasing Managers' Index, the most reliable economic indicator for the euro area, rose in August (from 50.2 to 51.2). The sentiment indicator has thus ended its recent downward trend. Overall, however, the index only points to meagre growth. This applies in particular to the manufacturing sector, where the PMIs fell once again.**

The composite Purchasing Managers' Index for the euro area has ended its recent downward trend. The index rose from 50.2 to 51.2, exceeding expectations. The economists surveyed in advance had on average expected a marginal decline (to 50.1). The increase in France was particularly positive. Possibly due to an effect from the Olympic Games, the value here climbed surprisingly (from 49.1 to 52.7). In Germany, on the other hand, the Purchasing Managers' Index fell for the third month in a row. Here, the sentiment in both the manufacturing industry (from 43.2 to 42.1) and the service sector (from 52.5 to 51.4) deteriorated significantly.

With today's value, the Purchasing Managers' Index avoids the area in which the sentiment has indicated a recession in the past (Chart 1). However, the level of the index only gives hope for very meager growth. The Purchasing Managers' Indices also show a division between sectors (Table): While sentiment in the service sector is rising significantly, sentiment in the manufacturing sector continues to fall from an already very low level (to 45.6; long-term average: 51.6).

Overall, today's figures do not yet represent an unconditional relief for the euro area economy in the second half of the year – particularly due to the possible one-off effect of the Olympic Games in France. Obviously, positive impulses such as businesses slowly coming to terms with high interest rates and rising real wages are only slowly taking hold, particularly in the manufacturing sector. This reinforces our cautious growth forecasts for Germany and the euro area. The weak momentum in sentiment indicators should encourage the ECB to cut interest rates again in September.

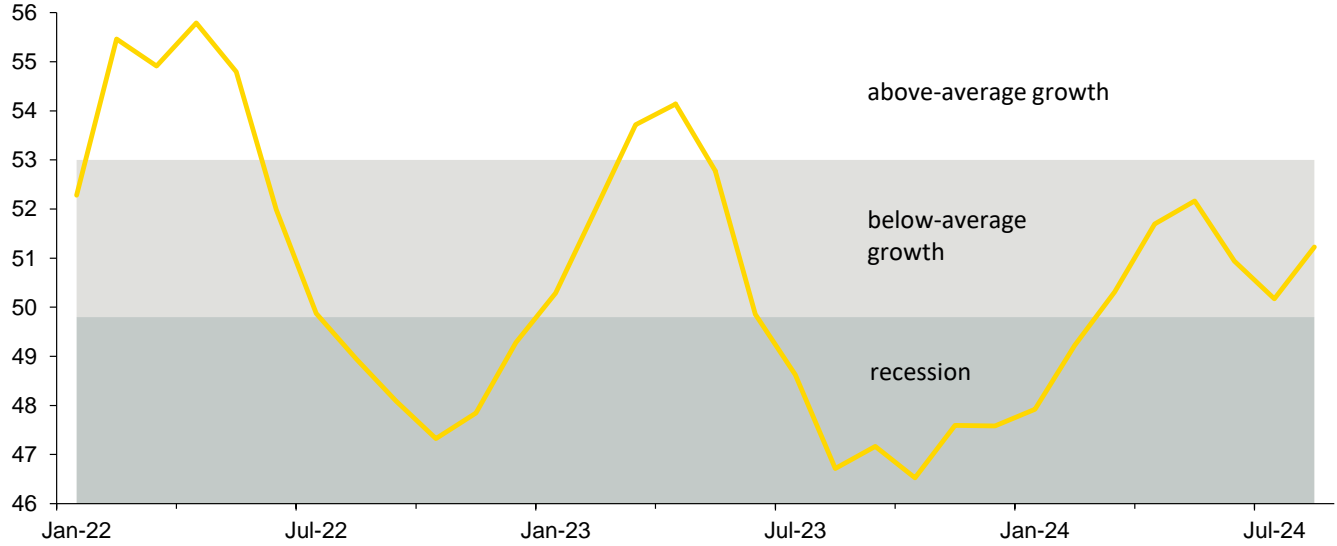


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**Chart 1 - Index avoids recession territory**

Euro area composite PMI, seasonally adjusted monthly figures



Source: S&P Global, Commerzbank Research

**Table 1 - Purchasing Managers Indices**

Euro area, Purchasing Manager’s Index, seasonally adjusted

Indicator	Aug-24	Forecasts		Jul-24	Jun-24	May-24
		CB	Consensus			
Manufacturing	45.6	45.5	45.8	45.8	45.8	47.3
Services	53.3	51.5	51.7	51.9	52.8	53.2

Source: Bloomberg, Commerzbank Research



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