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Economic Research

Economic Briefing

# Euro Purchasing Managers' Index - sizeable setback

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**The composite Purchasing Managers' Index, the most reliable economic barometer for the eurozone, fell unexpectedly sharply in June (from 52.2 to 50.8). The decline came from both Germany and France. The setback indicates that the economy in the euro area will only recover slowly, not least due to the unresolved structural problems.**

The composite Purchasing Managers' Index in the euro area fell sharply from 52.2 to 50.8 in June (table), disappointing expectations. The majority of economists surveyed in advance had expected a slight increase. The upward trend that began in October 2023 thus took a sharp dip in June.

The decline in the Purchasing Managers' Index was attributable to both the services sector (from 53.2 to 52.6) and the manufacturing sector (from 47.3 to 45.6). Both France and Germany contributed to the decline. In Germany, the index for the manufacturing sector fell particularly sharply by 2 points from 45.4 to 43.4, following a slight recovery in sentiment in recent months. In France, the purchasing managers' indices also fell in both the services and manufacturing sectors. The index value in France as a whole fell from an already low level of 48.9 to 48.2. The snap election in France and the associated political uncertainty are likely to have weighed on sentiment in France.

The figures for June reinforce our view that the economic recovery in the eurozone will not be as strong this year as the majority of economists and the ECB expect. It therefore remains questionable whether the fairly strong growth in the first quarter (0.3% vs. Q4 2023) will be repeated. This supports our forecast that the ECB will cut key interest rates again in September.

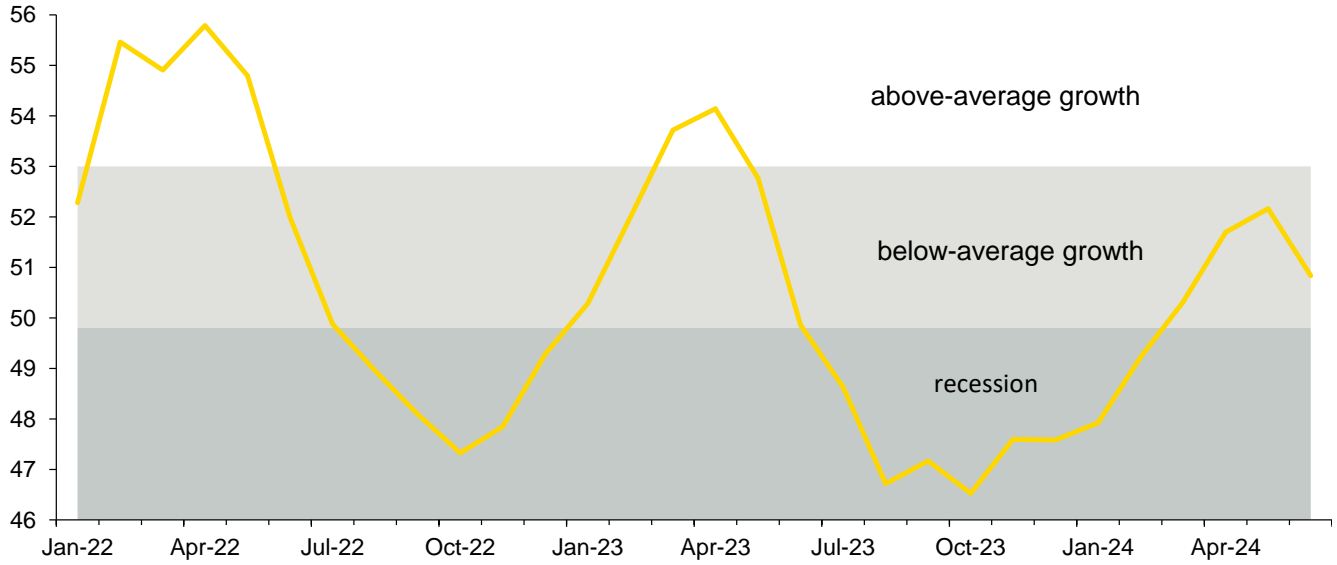


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**Chart 1 - Euro area Purchasing Manager Index with sizeable setback in June**

Euro area composite PMI, seasonally adjusted monthly figures



Source: S&P Global, Commerzbank Research

**Table 1 - Purchasing managers' index**

Euro area, Purchasing managers' index, seasonally-adjusted

Indicator	Jun-24	Forecasts		May-24	Apr-24	Mar-24
		CB	Consensus			
Manufacturing	45.6	48.0	47.9	47.3	45.7	46.1
Services	52.6	53.5	53.4	53.2	53.3	51.5

Source: Bloomberg, Commerzbank Research



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