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Economic Research

Economic Briefing

Euro area PMIs diminish hopes for swift recovery

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The Purchasing Managers' Index for the manufacturing and services sectors, the most reliable economic barometer for the euro area, fell for the second month in a row in July (from 50.9 to 50.1). This dampens hopes of a swift recovery in the euro area. This recovery is likely to start later and be weaker than many forecasts expect. This applies in particular to Germany, where the PMIs once again fell more sharply than the euro area average.

The composite Purchasing Managers' Index eurozone fell for the second time in a row in July. The index fell from 50.9 to 50.1 (Table 1), disappointing expectations. The economists surveyed in advance had expected a stagnation. The unexpected setback in the previous month was therefore not a downward outlier. Although the index is still just within the range in which the economy has grown in the past (Chart 1), the upward trend that has been in place since last year, has come to an end for the time being. The decline was particularly sharp in Germany. Here, the mood in both the manufacturing sector (from 43.5 to 42.6) and the service sector (from 53.1 to 52.0) deteriorated significantly.

Today's weak figures put a question mark over a noticeable economic recovery expected by many forecasters for the second half of the year. Obviously, positive impulses for the German economy, such as an adaptation to high key interest rates and a recovery in the global economy, have not yet taken hold. This does not mean that there will be no recovery at all, but it will come later and will probably be weaker than generally expected. This reinforces our cautious growth forecasts for Germany and the euro area.

The only positive news comes from the sub-category of the sales prices for services. Purchasing managers are observing the lowest price pressure on sales prices for three years. Both the weak momentum in the sentiment indicators and the assessment of service prices are likely to encourage the ECB to cut key interest rates again in September.

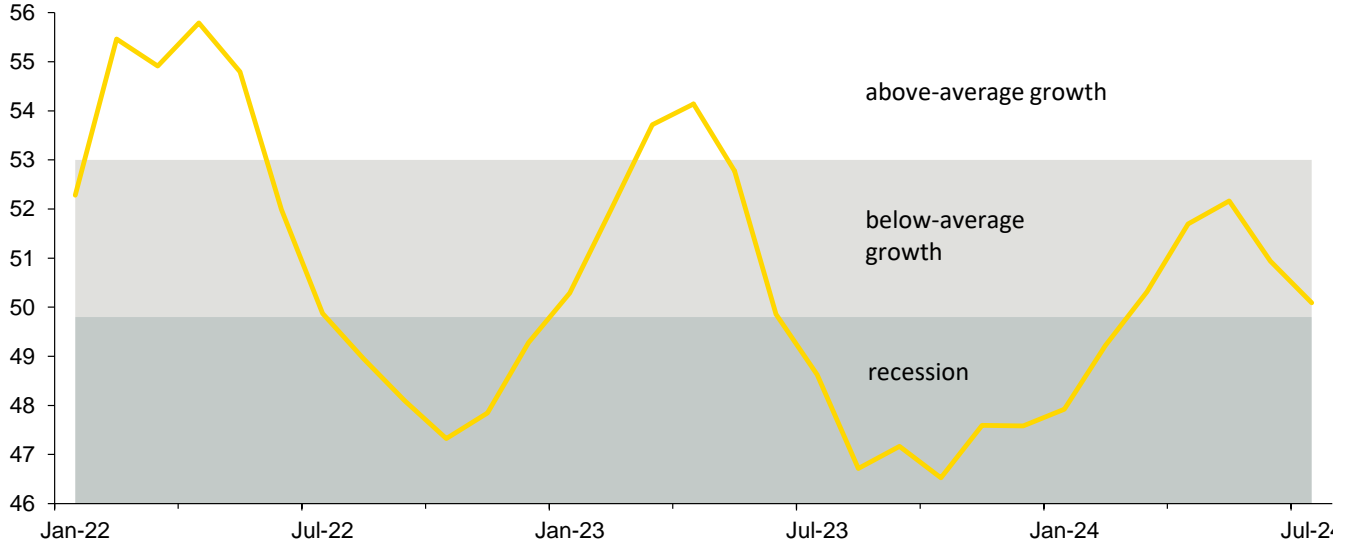


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Chart 1 - Sentiment falls yet again

Euro area composite PMI, seasonally adjusted monthly figures



Source: S&P Global, Commerzbank Research

Table 1 - Purchasing Managers Indices

Indicator	Jul-24	Forecasts		Jun-24	May-24	Apr-24
		CB	Consensus			
Manufacturing	45.6	46.0	46.1	45.8	47.3	45.7
Services	51.9	53.0	52.9	52.8	53.2	53.3

Source: Bloomberg, Commerzbank Research



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