

PMI[®]by **S&P Global**

Eurozone

Eurozone flash PMI hits 15-month high in August as manufacturing conditions improve for first time since mid-2022

The eurozone economic upturn continued to slowly gather pace in August, according to the flash PMI[®] survey data. The headline output index inched up to a 15-month high amid the first rise in new orders for 15 months.

While the overall expansion of both output and demand remains only sluggish, there is welcome news that the steep post-pandemic downturn in the region's manufacturing economy has ended. The manufacturing PMI rose above 50.0 in August for the first time since June 2022.

Output price pressures meanwhile remained muted, with goods prices falling marginally to help offset a stronger – though still relatively subdued – rise in services prices.

Eurozone flash manufacturing PMI breaks through 50 'no change' level for first time since June 2022



Data compiled August 21, 2025.

PMI (Purchasing Managers' Index) based on 50 = no change in business conditions on prior month.

Source: S&P Global PMI, S&P Global Market Intelligence, HCOB.

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Eurozone activity grinds slowly higher

Eurozone economic growth continued to grind slowly higher in August. Business activity grew its fastest rate since May 2024, according to provisional PMI survey data, though the pace of expansion remained frustratingly sluggish.

The seasonally adjusted HCOB Flash Eurozone Composite PMI Output Index, based on approximately 85% of usual survey responses and compiled by S&P Global, rose from 50.9 in July to 51.1 in August.

While the latest headline PMI reading is the highest for 15 months, it is consistent with eurozone GDP growing at a 0.2% quarterly rate in August, with a 0.2% expansion also signalled so far for the third quarter. Such modest economic growth comes on the heels of mere 0.1% GDP increase in the second quarter, which had been signalled ahead by the PMI.

While the trend in the eurozone GDP data so far this year have been distorted by volatile growth in Ireland, which contributed to a strong first quarter gain, the PMI has signalled a steadier but sluggish improvement in the economic growth trend over the course of the year to date.

Eurozone PMI vs. GDP



Data compiled August 21, 2025 including flash PMI data for August.

PMI (Purchasing Managers' Index) based on 50 = no change on prior month, covers goods and services.

Sources: S&P Global PMI with HCOB, Eurostat via S&P Global Market Intelligence.

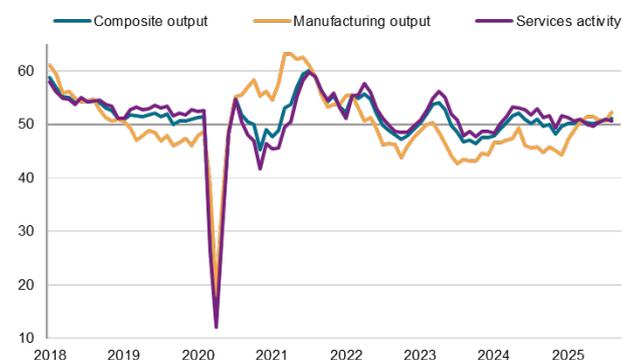
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Manufacturing shows further signs of steadying but overall demand remains weak

For only the fourth time in the past three and a half years, output expansion was driven by the manufacturing sector, where production increased at a pace that was the fastest in almost three-and-a-half years. Encouragingly, the headline PMI for the manufacturing sector (which is a composite indicator based on five survey variables to provide an overall view of business conditions in the sector) rose above the 50.0 no change level for the first time since June 2022.

However, while services business activity rose for the third month running, it grew only modestly and at a reduced rate compared to July.

Eurozone PMI output by sector



Data compiled August 21, 2025.
PMI (Purchasing Managers' Index) based on 50 = no change on prior month.
Source: S&P Global PMI, S&P Global Market Intelligence, HCOB.
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From a demand perspective, new orders rose for the first time in 15 months, with renewed expansions seen in both the manufacturing and services sectors. The rise in manufacturing new orders was notable in being the first since April 2022 and adds to signs that the steep post-pandemic factory decline has halted.

Overall growth of new orders is nonetheless only sluggish in both sectors, reflecting weak domestic demand across much of the eurozone as well as further declines in exports of both goods and services, which collectively fell at the sharpest rate for five months in August.

Eurozone PMI new orders by sector

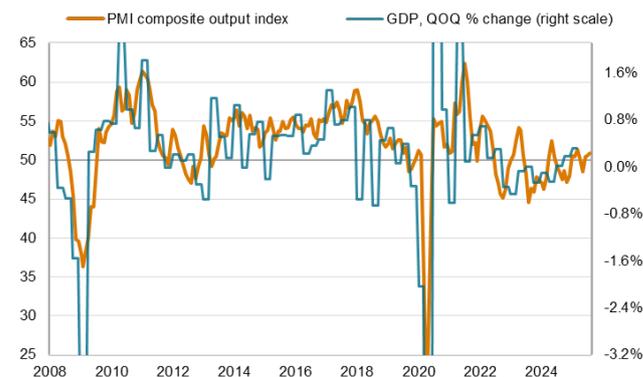


Data compiled August 21, 2025.
PMI (Purchasing Managers' Index) based on 50 = no change on prior month.
Source: S&P Global PMI, S&P Global Market Intelligence, HCOB.
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Modest GDP growth signalled for Germany and France

While the manufacturing improvement helped Germany report a third successive monthly increase in overall output during August, it saw only a muted service sector performance. The overall upturn in output was nonetheless the fastest since March to suggest that German GDP looks to be on course to rise modestly again in the third quarter.

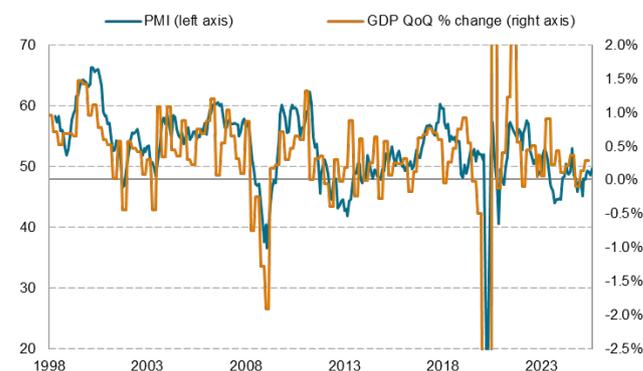
Germany PMI vs. GDP



Data compiled August 21, 2025.
PMI (Purchasing Managers' Index) value of 50 = no change on prior month.
Sources: S&P Global PMI with HCOB, FSO via S&P Market Intelligence.
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Meanwhile, activity in France neared stabilisation, with the marginal fall in output reported in August being the softest for a year. Both manufacturing and services output fell only fractionally. In terms of GDP inferences, these improved reading of late point to modest GDP growth in France so far in the third quarter.

France PMI vs. GDP

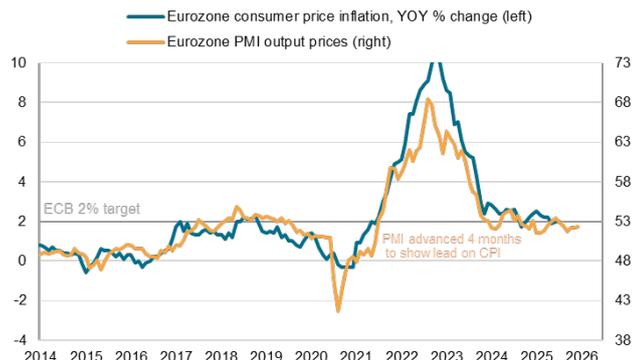


Data compiled August 21, 2025.
Flash PMI (Purchasing Managers' Index) 50 = no change on prior month, covers manufacturing and services.
Source: S&P Global PMI with HCOB, INSEE via S&P Global Market Intelligence.
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Inflation at target

Inflation pressures meanwhile ticked higher but the overall rate of selling price inflation across goods and services remained muted by recent standards, and broadly consistent with inflation continuing to run at the ECB's target of 2%, where it has sat in the two months to July.

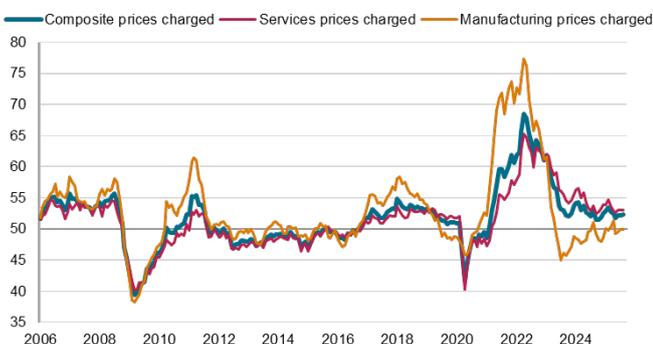
Eurozone inflation



Data compiled August 21, 2025.
 PMI (Purchasing Managers' Index) value of 50 = no change on prior month, covers manufacturing and services.
 Source: S&P Global PMI, HCOB, Eurostat.
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One area of concern to policymakers would be a small uplift in services inflation, which offset a marginal drop in goods prices in August. However, the pace of increase of charges for services remained among the weakest recorded this side of the pandemic.

Eurozone PMI output prices



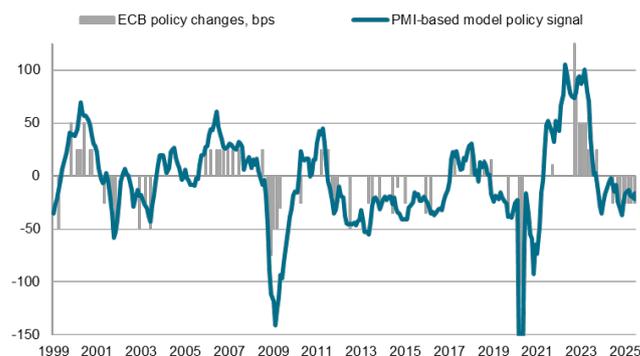
Data compiled August 21, 2025.
 PMI (Purchasing Managers' Index) based on 50 = no change on prior month, covers goods and services.
 Source: S&P Global PMI, S&P Global Market Intelligence, HCOB.
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Policy easing bias

A composite ECB policy indicator, based on key PMI gauges and the extent to which inflation is deviating from the ECB's 2% target, remains in rate-cutting territory,

The ECB has now cut interest rates by 25 basis points eight times since the post-pandemic surge in inflation has moderated, taking the Deposit Rate to 2.00% from a peak of 4.00% in the spring of 2024. The subdued PMI readings in August, for business activity and prices as well as employment (August's flash PMI indicated another small rise in eurozone employment), keeps the survey data in rate cutting territory to allow scope for further policy loosening if policymakers grow concerned about the economic outlook.

PMI-based indicator of ECB policy



As of August 21, 2025.
 PMI model based on survey output, input price and employment variables plus deviation of CPI from 2% target, detrended. Policy rate is Refi prior to 2014, Deposit Rate thereafter.
 Source: S&P Global PMI, S&P Global Market Intelligence, ECB.
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