

PMI®

by **S&P Global**

G4 economies flash PMI

Flash PMIs show US still leading developed world upturn, but manufacturing trends worsen across the broad

The flash PMI data compiled by S&P Global Market Intelligence indicated that growth slowed across all four major developed economies bar the eurozone in September. The US nevertheless continued to lead the developed world expansion, with only modest output gains reported in the UK, Japan and eurozone.

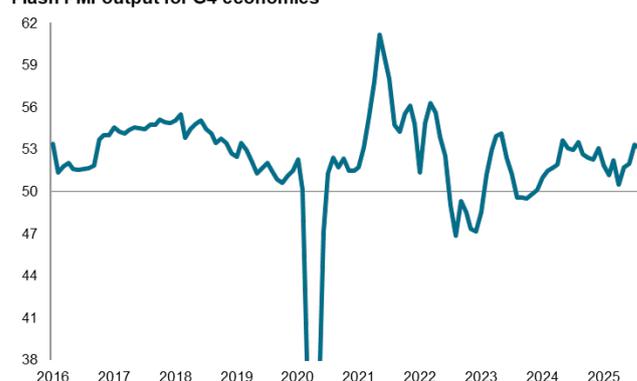
Much of the weakness was due to deteriorating manufacturing trends in all four economies, in part linked to the fading boost from tariff-front running. However, services sector companies have become less optimistic outside of the US, the latter seeing sentiment buoyed by lower interest rates.

Prospects for further US rate cuts rest with the inflation outlook. Here the PMI data showed lower US selling price inflation but also another steep rises in costs, linked to tariffs, which risks pushing selling prices higher in coming months unless firms reduce their margins. Inflation pressures elsewhere remained benign.

Output growth slows in the developed world

Business activity in the developed world grew at the slowest rate for three months in September. At 52.6, down from 53.2 in August, the flash PMI output index for the 'G4' major developed economies (the US, eurozone, Japan and the UK) signalled that the pace of expansion has eased to the lowest since June, albeit remaining higher than seen throughout the first half of the year.

Flash PMI output for G4 economies



Data compiled September 23, 2025.

PMI covers manufacturing and services. 50 = no change on prior month.

Source: S&P Global PMI.

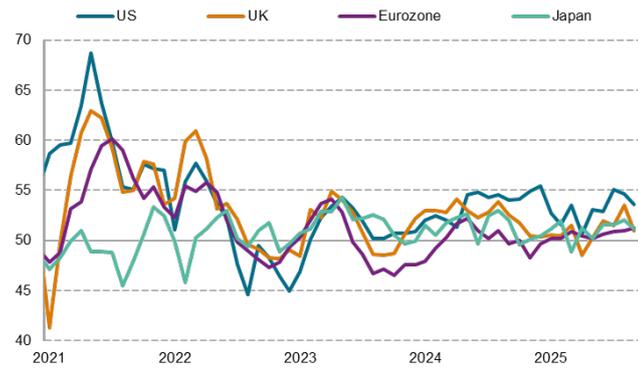
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A slowing US still led the 'G4'

Growth slowed in the US, Japan and the UK, leaving the eurozone as the only G4 economy to report faster growth in September. However, the US continued to report the sharpest expansion of the G4 despite its growth slowing to the weakest since June, sustaining the outperformance seen over the past year and a half. US growth weakened across both goods and services, though in both cases led the G4.

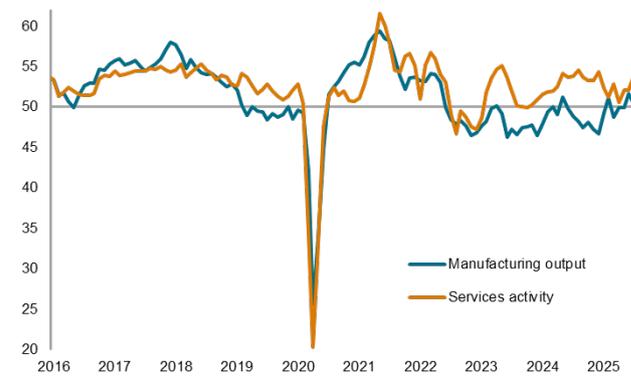
Similar-paced meagre expansions were meanwhile reported in the other G4 economies. While this modest growth represented the best seen in the eurozone since May 2024, the Japanese and UK expansions were both the slowest recorded since May, fueled principally by steepening manufacturing downturns.

Flash PMI output indicators of 'G4' economies



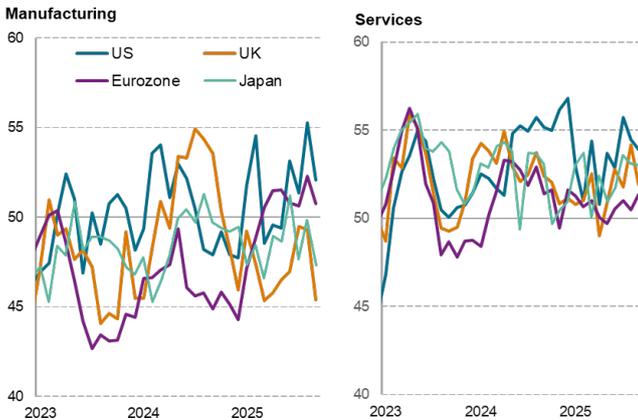
Data compiled September 23, 2025.
PMI covers manufacturing and services. 50 = no change on prior month.
Sources: S&P Global PMI with HCOB (Eurozone).
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Flash PMI output of 'G4' developed economies



Data compiled September 23, 2025.
G4 PMI covers the US, Eurozone, UK and Japan. 50 = no change on prior month.
Sources: S&P Global PMI
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Flash PMI output of 'G4' developed economies

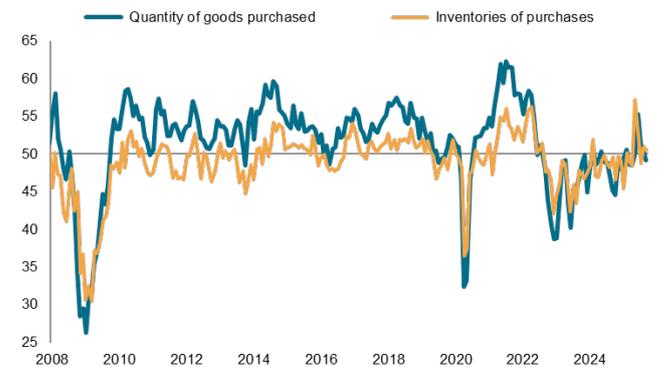


Data compiled September 23, 2025.
G4 PMI covers the US, Eurozone, UK and Japan. 50 = no change on prior month.
Sources: S&P Global PMI with HCOB (eurozone).
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Tariff front-running fades

At least part of this manufacturing deterioration is related to recent tariff-related inventory building in the US. US factories had reported widespread increases in both input buying and inventories of purchases in the months immediately following April's tariff announcements. This increase in input buying buoyed shipments and production from factories in Europe and Asia. This input buying surge now seems to have faded.

US PMI manufacturing input buying and inventories



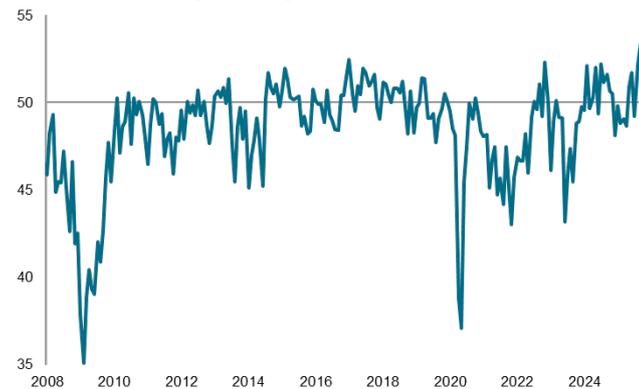
Data compiled September 23, 2025.
PMI (Purchasing Managers' Index) 50 = no change, covers manufacturing only.
Source: S&P Global PMI.
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Manufacturing growth slides from August peak

Manufacturing trends in fact deteriorated across all G4 economies in September, albeit with the US and eurozone merely experiencing slower rates of expansion. Factory production across the G4 consequently came close to stalling, contrasting markedly with the 39-month high seen in August.

Meanwhile, in the US, these additional inputs have been used to produce more goods over the summer, leading to an unprecedented building of finished goods stock in September.

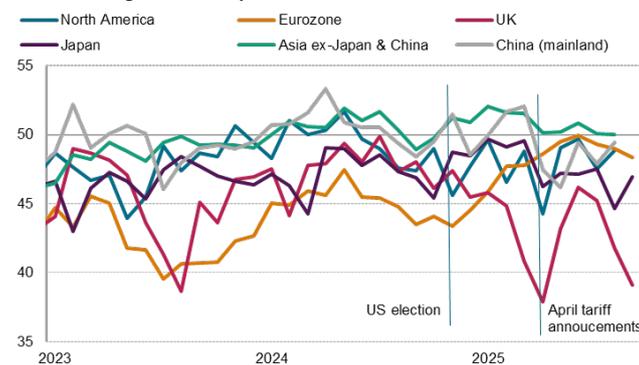
US PMI manufacturing finished goods inventories



Data compiled September 23, 2025.
PMI (Purchasing Managers' Index) 50 = no change, covers manufacturing only.
Source: S&P Global PMI.
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A concern, and downside risk to the outlook, is that we can expect lower production trends in the US once this inventory building winds down, accompanying similar paybacks to prior tariff front-running production and exports already evident in parts of Europe and Asia Pacific (APAC).

Manufacturing PMI new export orders index



Data compiled September 2025.
PMI 50 = no change on prior month. Flash September data shown for eurozone, UK and Japan.
Source: S&P Global PMI with HCOB, S&P Global Market Intelligence.
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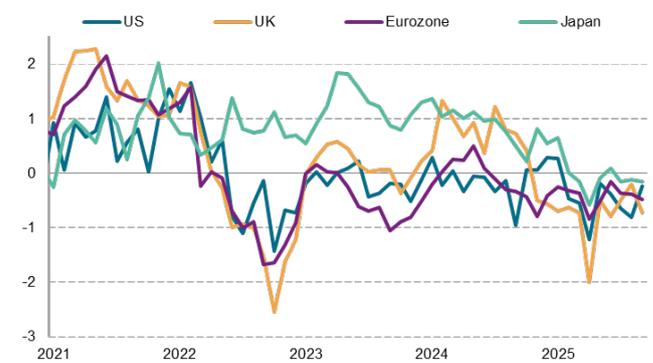
US bucks gloomy trend as sentiment revives

Weaker manufacturing prospects contributed to lower business sentiment outside of the US, though service sector sentiment generally also remained subdued amid heightened geopolitical uncertainty, notably in the eurozone thanks to additional domestic political upheaval in France.

The US was consequently the only G4 economy to see business confidence about the next 12 months improve in September, albeit still running below its long run level, thanks in part to reports of growth expectations improving on the back of lower interest rates. September saw the US central bank cut rates for the first time this year, with

FOMC policymakers generally signalling more cuts to come according to meeting materials.

Flash PMI future output expectations rebased to show divergence from long-run trends (zero on axis)



Data compiled September 23, 2025.
PMI covers manufacturing and services. 50 = no change in year ahead rebased using z-scores (0 = long run average).
Source: S&P Global PMI with HCOB.
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Mixed inflation signals

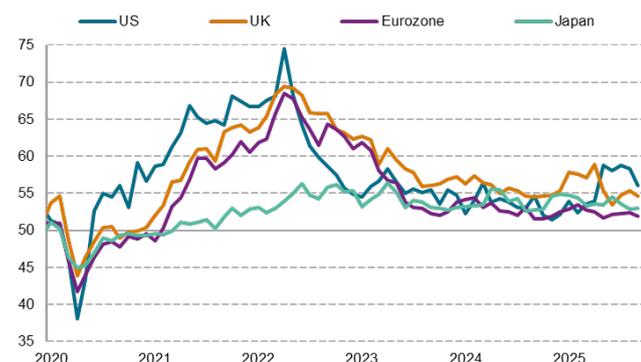
Whether more US rate cuts are likely depends on the inflation outlook, and here the PMI surveys send mixed signals.

On one hand, average selling prices for goods and services in the US rose at a much-reduced rate in September, a five-month low, according to the flash data. This marked cooling from recent steep price gains brings the PMI data back into territory which is more consistent with the Fed's 2% inflation target.

On the other hand, US companies continued to report steep input cost rises, often linked to tariffs, with overall cost growth in fact hitting the second highest since the start of 2023. These costs will either need to pass through to customers or be soaked up by producers and services providers. September's data showed signs of the latter margin squeeze dominating, but this will be an important theme to watch in the coming months.

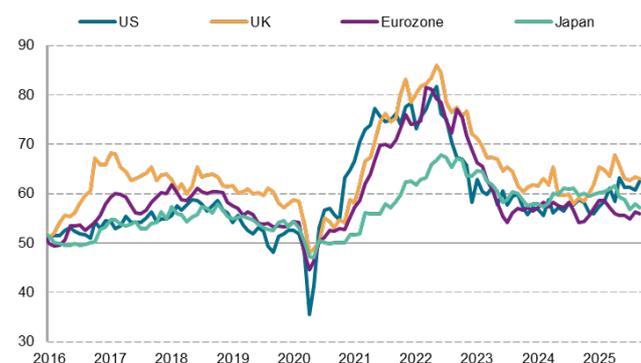
In contrast, only modest price growth was again recorded in the UK, Japan and the eurozone, in all cases broadly consistent with central bank targets either being met or close to being satisfied. In the UK, a spike in prices due to government policies (driving staffing costs higher) showed some particularly encouraging signs of fading.

Flash PMI output price indicators



Data compiled September 23, 2025.
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Source: S&P Global PMI with HCOB (Eurozone).
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Flash PMI input price indicators of 'G4' economies



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