24 October 2025

PMI®

by S&P Global

Eurozone

Eurozone flash PMI rises in October to level not beaten since May 2023

Eurozone businesses reported faster output growth in October, taking the overall rate of expansion to a pace not exceeded since May 2023. Improved service sector growth, driven by rising domestic demand in the region, was accompanied by further rise in manufacturing output.

The upturn in the PMI bodes well for the region's economic recovery to step up a gear in the fourth quarter, though whether growth can be sustained is called into question by a dip in business expectations about the outlook, as well as the uneven nature of growth. While improved performances were seen in Germany and elsewhere across the region, France slipped into a deeper decline due to its uncertain political environment.

More encouragingly, price pressures remained contained and in line with the ECB's 2% target, keeping the door ajar for any further policy loosening should growth weaken to any concerning degree.

Eurozone growth

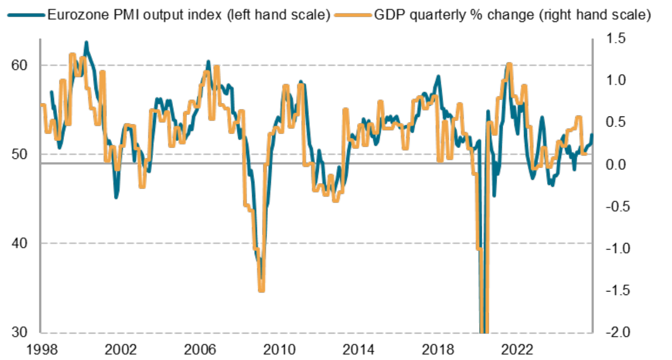
Eurozone business activity growth accelerated in October, according to the 'flash' PMI, pointing to improved economic growth momentum at the start of the fourth quarter.

At 52.2, up from 51.2 in September, the HCOB Flash Eurozone Composite PMI Output Index, based on approximately 85% of usual survey responses and compiled by S&P Global, signalled the joint-fastest expansion of activity since May 2023, matching the prior recent high seen back in May of last year.

Growth has now slowly accelerated over the past five months such that October's flash PMI is broadly indicative of eurozone GDP growing at a quarterly rate of 0.3%, up from an average 0.2% pace signalled over the third quarter.

The official eurozone GDP data so far this year has been distorted by volatile growth in Ireland and US tariff shipments, making the underlying trend hard to discern. The strong first quarter GDP gain of 0.6%, around half of which was accounted for by Ireland alone, followed by a meagre second quarter 0.1% expansion. The PMI has instead signalled a steadier but sluggish improvement in the underlying economic growth trend in recent months, albeit with a notably uptick in October.

Eurozone PMI vs. GDP



Data compiled October 24, 2025 including flash PMI data for October.
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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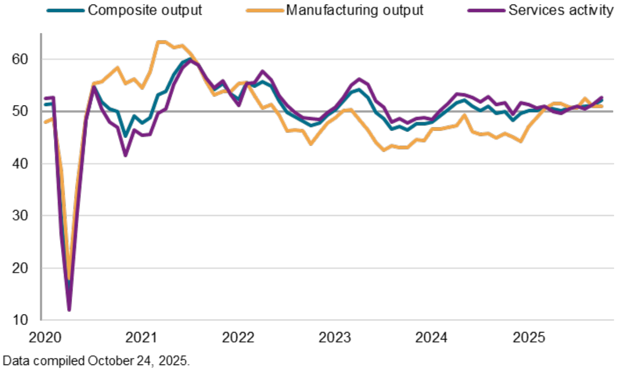
By sector across the eurozone, service sector activity grew at the fastest pace for 14 months, accompanied by a more modest but still noteworthy rise in manufacturing production. Although factory output growth dipped slightly, production has now risen for eight successive months to mark a continuation of the sector's best spell since the pandemic.

Eurozone PMI output by sector



Data compiled October 24, 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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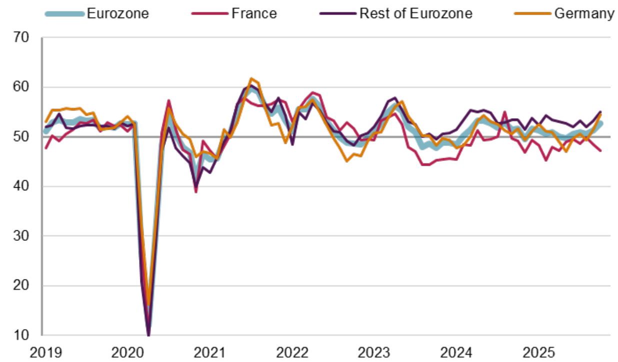
France bucks improving trend

Trends diverged among the eurozone's two largest economies: whereas output rose robustly in Germany, growing at the fastest rate since May 2023, output fell sharply in France, declining at a pace not seen since February. The rest of the region as a whole meanwhile saw growth accelerate to the fastest since April 2023, further isolating France as a marked underperforming economy in October.

PMI services output index



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PMI (Purchasing Managers' Index) based on 50 = no change on prior month, covers goods and services.
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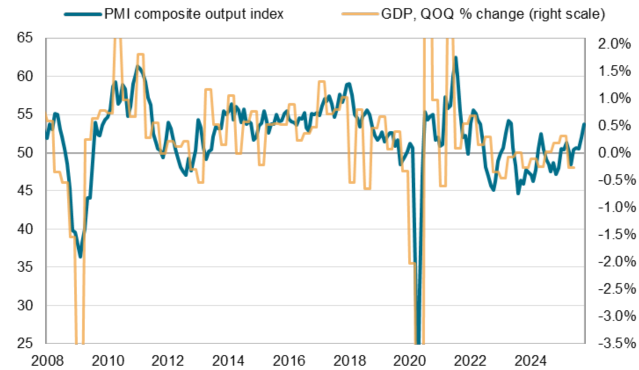
Germany's upturn was led by its service sector, where business activity showed the sharpest rise since May 2023, but manufacturing output also expanded for an eighth successive month, contrasting with the near-continual decline seen over the prior three years to hint at a sustained, albeit unsecular, recovery of the German manufacturing economy into the fourth quarter.

France's contraction was meanwhile led by its goods-producing sector, where factory output showed the largest fall since February. However, service sector business activity also fell in France at the steepest rate for eight months. Both sectors also reported increased rates of order book decline.

While companies in Germany reported improving domestic demand conditions, resulting as jump in new work of a magnitude not seen since April 2022, new orders fell at an increased rate in France. Both economies reported falling exports of both goods and services, albeit at reduced rates, but companies in France also reported domestic demand to have been subdued by heightened political and economic uncertainty.

Measured overall, the flash PMI data for Germany are indicative of GDP rising at an approximate 0.5% quarterly pace but the survey data for France point to a quarterly rate of GDP contraction of about 0.1%

Germany PMI vs. GDP



Data compiled October 24, 2025.
PMI (Purchasing Managers' Index) value of 50 = no change on prior month. .
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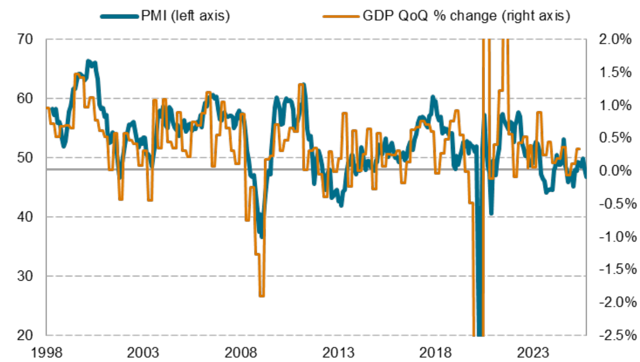
France PMI vs. GDP



Data compiled October 24, 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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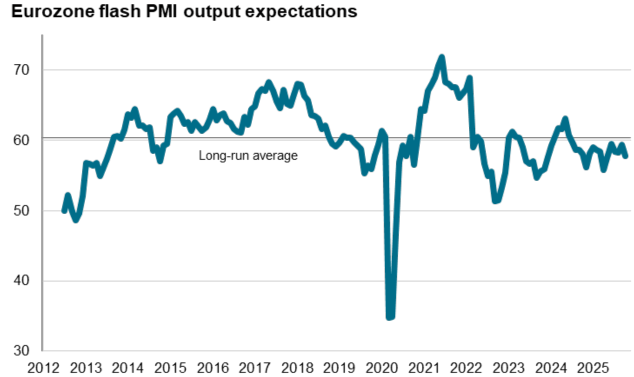
Future expectations slip lower

The news on improving current output growth signalled by the eurozone flash PMI was marred, however, by a dip in business expectations about output in the year ahead to a five-month low, taking the gauge of business sentiment further below its long-run average.

Eurozone flash PMI output expectations



Data compiled October 24, 2025.
PMI (Purchasing Managers' Index) based on 50 = no change in next 12 months, covers goods and services.
Source: S&P Global PMI, S&P Global Market Intelligence, HCOB.
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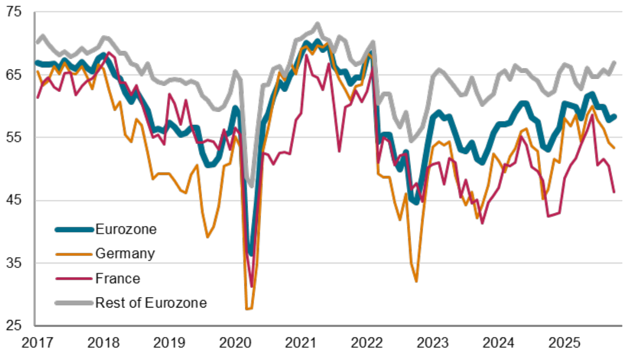
Output expectations for manufacturing and services fell across both Germany and France, with services expectations also slipping lower in the rest of the eurozone as a whole. In fact, any upturn in sentiment was confined to eurozone manufacturers outside of France and Germany.

Flash manufacturing PMI output expectations



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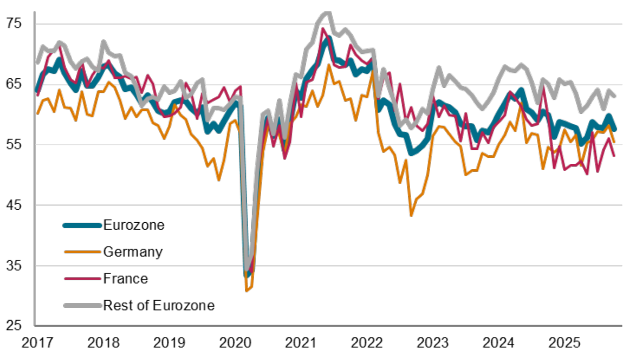
Source: S&P Global PMI, S&P Global Market Intelligence, HCOB.

Flash services PMI output expectations



Data compiled October 24, 2025.
PMI (Purchasing Managers' Index) based on 50 = no change in next 12 months.
Source: S&P Global PMI, S&P Global Market Intelligence, HCOB.

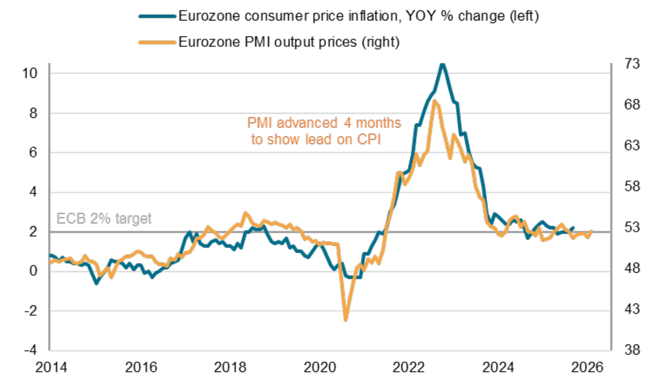
German companies reported on outlook clouded by domestic economic weakness, geopolitical tensions, high costs, business relocations to cheaper regions, and waning international competitiveness.

French firms often commented on political instability and expectations of reduced demand in the face of heightened uncertainty.

Inflation at target

Although selling price inflation ticked higher in October, with the overall rate across goods and services up to its highest since March, the PMI's price gauge is still broadly consistent with consumer price inflation running at the ECB's target of 2%.

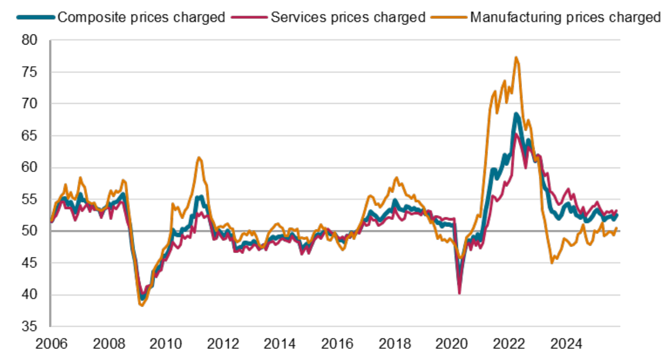
Eurozone inflation



Data compiled October 24, 2025.
PMI (Purchasing Managers' Index) value of 50 = no change on prior month, covers manufacturing and services.
Source: S&P Global PMI, HCOB, Eurostat.

Prices charged for goods edged higher after five months of decline, but the rise was only very modest. Prices levied for services meanwhile rose at an increased rate, but the rise was in line with the average recorded in the year to date to signal only a modest rise by recent standards.

Eurozone PMI output prices



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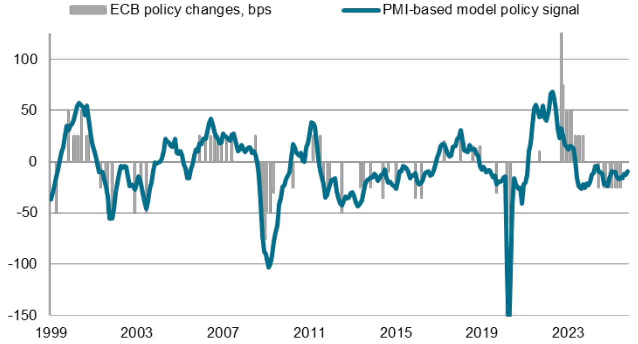
Source: S&P Global PMI, S&P Global Market Intelligence, HCOB.

Policy signal moves closer to neutral

A composite ECB policy indicator based on key PMI gauges suggests an ongoing easing bias to policymaking. Despite the uptick in output growth in October, the expansion remains only modest and was accompanied by only sluggish employment growth as firms remained cautious about expanding capacity. October also saw a slight cooling of input cost pressures, helping keep a lid on selling price inflation.

However, the degree of easing bias signalled by the PMI is now the weakest since May of last year, the shift to a more neutral signal adding to an already high bar to any further imminent rate cuts. The ECB has already cut interest rates by 25 basis points eight times in this cycle, taking the Deposit Rate to 2.00% from a peak of 4.00% in the first half of 2024.

PMI-based ECB policy indicator



As of October 24, 2025.
PMI model based on survey output, input price and employment variables. 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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Access the press release here.

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