Eurozone growth beats expectations by holding firm in October

The composite PMI flash estimate rose to a 17-month high in October, signalling sustained growth in the eurozone. With few signs of deflationary pressures, the ECB is likely to maintain rates at the current level

October flash PMIs came in better than expected, reassuring the European Central Bank that it remains in a "good place"

France remains the weak spot

The eurozone PMI beat expectations, rising from 51.2 in September to 52.2 in October, a 17-month high. The strong rebound in Germany made a significant contribution, but there was also robust activity outside the two largest economies, with the expansion the strongest we've seen in over two years.

France underperformed, with activity contracting, reflecting ongoing political uncertainty.

On a sectoral level, services led the improvement, with the PMI up to 52.6 and job creation at its fastest pace since June 2024.

Manufacturing: stabilisation rather than recovery

The manufacturing PMI edged up to 50, signalling stagnation rather than growth. After a sugar boost from surging US imports in the run-up to the tariff announcements, European industry lost momentum, with weak industrial production figures for August. New orders stabilised in October, but staffing continues to decline.

Adding to the risks, the Dutch government's takeover of Nexperia could trigger chip shortages and may weigh on output in the coming months.

ECB still "in a good place"

Inflation signals were mixed: input costs eased, but output prices rose at the fastest pace in seven months. Manufacturing raised prices for the first time in six months, while services price hikes accelerated compared to September. While energy prices should push inflation down in the coming months, the PMI doesn't signal many underlying deflationary pressures.

All of this confirms that the European Central Bank is still in a "good place". While we cannot entirely exclude any additional rate cut(s), the PMI strongly points to stable rates for some time to come.

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