

PMI®

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# Eurozone

## Eurozone flash PMI to provide policy guidance after ECB's June rate hike

PMI survey data accurately signalled the hiking of interest rates by the ECB at its June meeting, with past policy changes indicating that the tightening of policy was consistent with prior decision making behaviour. However, whether further rate hikes are on the cards will be dependent on the data flow in the coming months as policymakers weigh up growth and inflation risks.

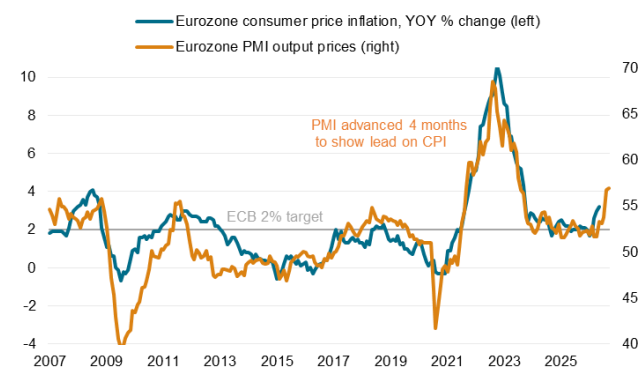
### ECB hikes rates amid inflation worries

The European Central Bank (ECB) hiked interest rates at its June meeting, tightening policy for the first time since September 2023. The hike took the Deposit Rate from 2.0% to 2.25%. Having increased rates to a peak of 4.0% in 2023 in response to the inflationary pressures stemming from the Russian invasion of Ukraine, the policy rate was subsequently cut between June 2024 and June 2025.

The latest hike represents a revival of inflation fears due principally to the war in the Middle East, which has not only caused a spike in energy prices but has also led to widespread raw material price increases amid concerns over broader supply availability issues.

Recent price signals add justification to the ECB's decision to hike interest rates. Consumer price inflation has already risen to 3.2%, according to official estimates for May, its highest since September 2023, rising further above the central bank's 2% target. Moreover, forward-looking PMI data point to a potential further acceleration of inflation. The S&P Global Eurozone PMI Output Price Index, tracking prices levied by manufacturing and service providers, climbed in May to its highest since March 2023, hinting at CPI inflation potentially moving up to around 4% in the coming months. Even more worrying was the PMI showing firms' input cost inflation hitting the highest since November 2022.

### Eurozone inflation



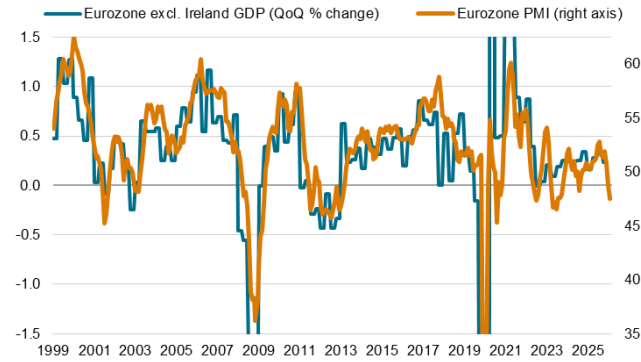
Data compiled June 2026.  
PMI (Purchasing Managers' Index) value of 50 = no change on prior month, covers manufacturing and services.  
Source: S&P Global PMI, Eurostat.  
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### Risks to growth

While the inflation signals supported the move to higher interest rates, the policy decision was complicated by signs that the region has already slipped into a downturn, the scale of which could be exacerbated by tighter monetary policy.

Although the latest GDP data showed the economy contracting 0.2% in the first quarter, this reflected a 12.1% decline in Ireland, which often shows great volatility. Excluding Ireland, GDP is estimated to have grown at a reasonably solid 0.2% pace in the first quarter. However, the more up-to-date PMI data indicated that growth has deteriorated since the start of the war on 28 February, with the survey having signalled falling output in both April and May. Historical comparisons suggest that eurozone GDP could fall 0.2% in the second quarter, absent any major change in the June data.

**Eurozone PMI and GDP**

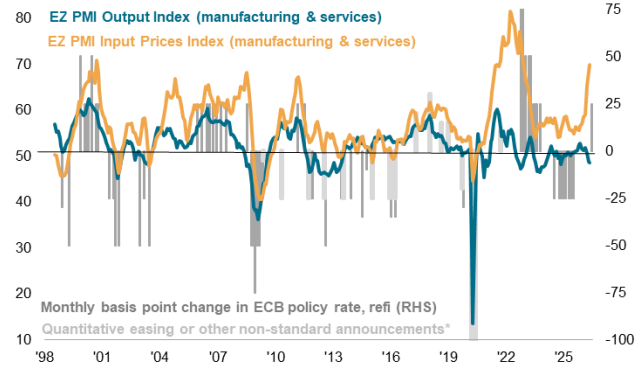


As of June 2026.  
 PMI 50 = no change on prior month, covers output of manufacturing and private sector services.  
 Source: S&P Global PMI, S&P Global Market Intelligence, Eurostat.  
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**Modelling ECB behaviour**

History, notably from 2008 and 2011, nevertheless informs us that the ECB is prepared to hike interest rates even in a weak growth environment if inflation is elevated.

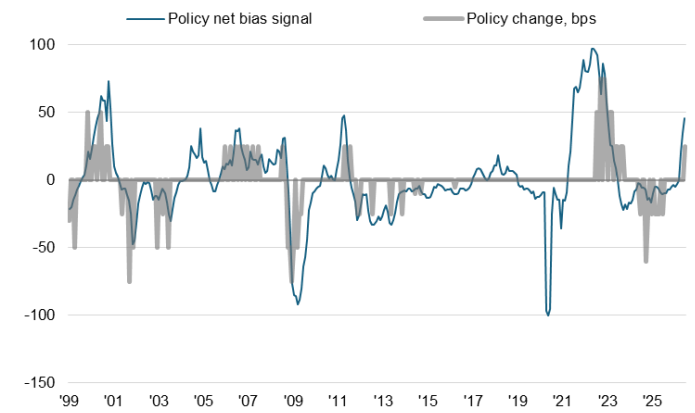
**ECB monetary policy changes vs. PMI output growth and input prices**



Data compiled June 2026 including PMI May data.  
 PMI (Purchasing Managers' Index) based on 50 = no change on prior month. QE bars illustrative size only.  
 Sources: S&P Global PMI, S&P Global Market Intelligence, ECB.  
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[Our interest rate model](#) for the euro area, which uses PMI output and prices data as a predictor of ECB rate changes indeed accurately signalled that the ECB would choose to raise interest rates at its June meeting.

**PMI-based policy change probability model: Eurozone**



As of June 2026  
 Source: S&P Global PMI  
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Our model has shown a consistent rise in the likelihood of tighter monetary policy in the euro area since the war in the Middle East began, with the hiking signal rising from its pre-war level of +6% to +49% in June. The net policy bias was consistent with just less than 50bps of tightening, in line with what the ECB delivered (25bps in June).

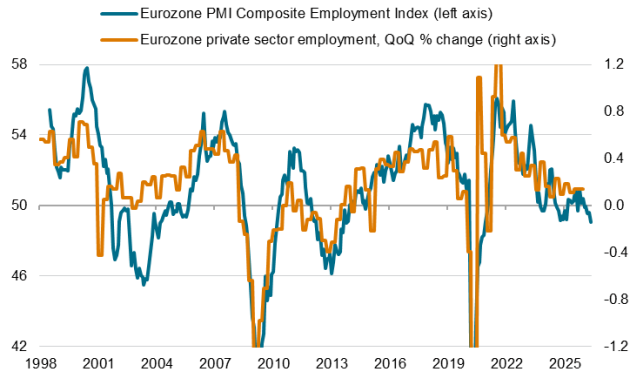
**Tougher decisions to come**

The ECB has therefore hiked interest rates heading into a downturn, focusing on the need to reassure households and markets that its priority is to ensure higher inflation does not become entrenched. The assumption by our European economic research team here at S&P Global Market Intelligence is that the further anticipated worsening inflation picture, both in terms of the headline rate increasing and for price rises to become more broad-based beyond energy, will prompt the ECB into a further 25 basis point rate rise in July.

Any further rate hikes will nevertheless become more difficult to justify if the growth picture continues to deteriorate, not least because worsening growth trends mean fewer chances of “second round” inflationary effects, whereby initial price rises feed through to higher wage growth in particular.

We see the chances of these second-round inflation effects as being less likely than during the price spike after the invasion of Ukraine due principally to lower levels of pent-up demand compared to the recovery from the pandemic, but also because of the softer labour market. Whereas employment was rising sharply in 2023 according to the PMI, it has declined in each month so far this year, reducing employee wage bargaining power.

## Eurozone PMI vs. private sector employment



Data compiled June 2026.

PMI 50 = no change on prior month. All data seasonally adjusted. Axes clipped to remove extremes.

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

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Flash PMI data for June, published 23<sup>rd</sup> June, will therefore provide critical inputs into ECB policymaker decision making as rate setters weigh up the balance between inflation and growth risks.

## Links to more resources

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- [Understanding the headline PMI and its various subindices](#)
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