PMI®

by S&P Global

PMIs and monetary policy

Latest major central bank policy decisions in line with PMI signals

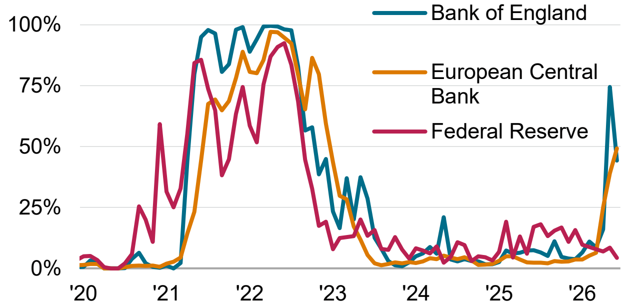
In previous research, we demonstrated how Purchasing Managers' Index™ (PMI®) data from S&P Global can be used to calculate the likelihood of changes in monetary policy. These PMI-powered probability models showed that the interest rate rise by the European Central Bank (ECB), and decisions to hold by the Bank of England (BoE) and Federal Reserve (Fed) in June, were as expected, according to the earlier signals from our survey data.

PMI survey data are widely used by central banks and frequently referred to in their communications with the public. The timeliness and breadth of the data, which offers insight on business activity, demand, employment and prices, contribute meaningfully to monetary policy setting by providing near real-time information on prevailing macroeconomic conditions.

Economists, investors and corporate planners can therefore incorporate PMI data into their workflows to better understand how a central bank sets interest rates, evaluate the appropriateness of monetary policy decisions, and even aid in their forecasting.

PMI-based models have warned of a divergence in rate setting behaviour since the war-induced energy price shock

PMI-implied probability of a rate increase



As June 2026
Source: S&P Global PMI
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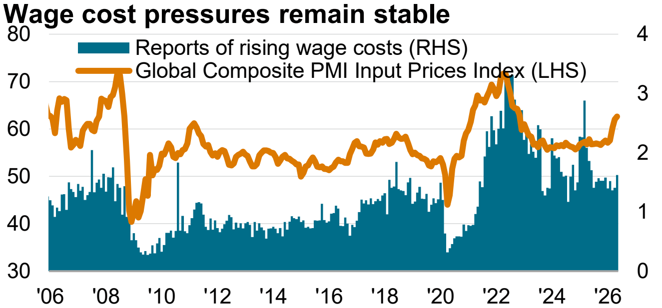
While global oil prices have fallen this past week, the knock-on inflationary impact from a sustained period of elevated energy prices means that central banks will need to be on high alert. As we noted earlier this week, worldwide inflation rates have further to rise, according to PMI survey data, as the global energy price shock propagates through to other goods and services. The May survey results indicated the sharpest rise in global input costs for three-and-a-half years, raising risks to the upside for selling price inflation and, in turn, the consumer price indices that central banks are tasked with anchoring.

Crucially, PMI survey data are capable of picking up inflation signals in a timely manner, with contributing companies providing real-time feedback on changes in their prices and the factors underpinning them. This even includes insights into critical drivers of inflation such as wages, which are only available through official data releases with a considerable time lag.

Wage cost pressures remain stable



As of June 2026. PMI Comments Tracker =multiples of long-run average.
Source: S&P Global PMI, JP Morgan
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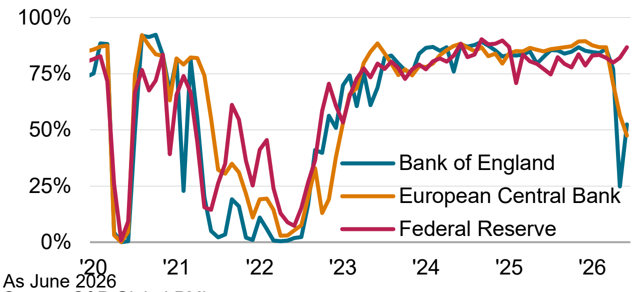
Economists in the PMI team have built a series of probabilistic models which leverage the timely price and business activity signals ingrained in the PMI data to estimate the likelihood of changes in monetary policy. These were effective at signalling the need for tighter policy in 2021 and 2022 and demonstrates the application of PMI data as a tool for modelling interest rates.

Interestingly, these models have warned of a potential divergence in monetary policy setting behaviour across major central banks since the war in the Middle East began. These differences are explained by the statistical outputs of our models, which can be used to assess the path of interest rates and how monetary policy will be set in different geographies under different scenarios.

For example, our models found a stronger degree of inflation aversion from the ECB compared to both the BoE and the Fed, with the ECB more likely to raise interest rates, even if economic conditions are weak. The BoE and Fed, on the other hand, show a greater consideration to economic activity when determining monetary policy.

PMI-implied probability of no change



As June 2026
Source: S&P Global PMI
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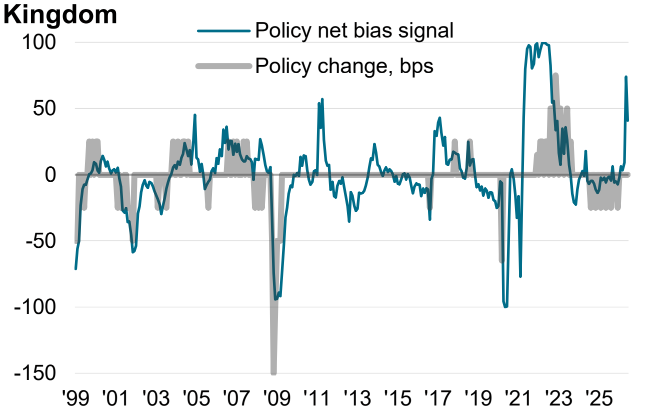
United Kingdom

Fresh signs of deteriorating economic activity in the UK saw the PMI-implied probability of a rate increase by the BoE decline in June. Despite elevated price pressures, the implied probability of a hike fell to just 44% from 75% in May as private sector output decreased for the first time since May 2025. The implied odds of no change by the Monetary Policy Committee rose to 52% in May, making it the outcome with the greatest estimated likelihood.

PMI-based policy change probability model: United Kingdom



As of June 2026
Source: S&P Global PMI
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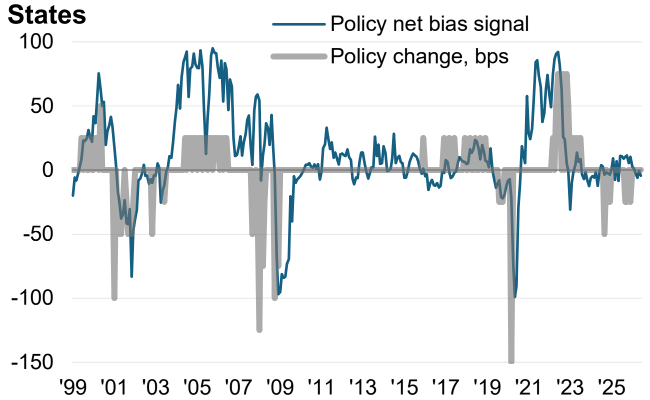
As a result, the PMI-based policy change probability model for the UK showed a much weaker tightening bias than in May. The softer activity data will likely have played a role in this week's decision by the Bank of England to maintain the base rate at 3.75%, although should the PMI prices data remain at their elevated levels, 25 basis points (bps) of tightening could still be on the table, according to our net policy bias signal (as calculated by subtracting the probability of a cut from the probability of a hike).

United States

PMI-based policy change probability model: United States



As of June 2026
Source: S&P Global PMI
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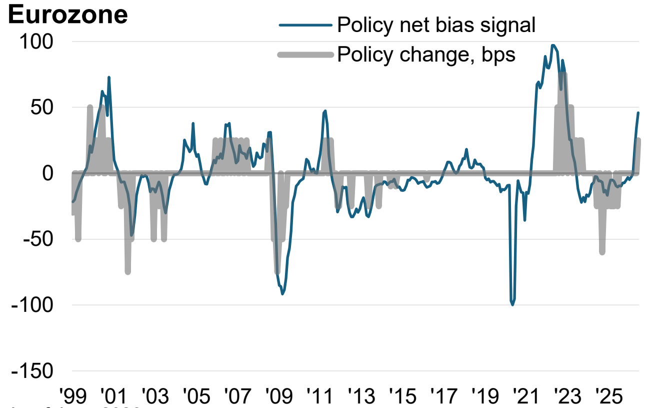
The Fed also maintained its benchmark interest rate this week at 3.50-3.75%, in line with the PMI-based policy signal computed by our probability model. Unlike our models for the UK and eurozone, the PMI employment index features as an input here, given the Fed's dual mandate to promote maximum employment and stable prices.

May PMI data indicated some labour market slackening in the US, with private payrolls declining at the fastest pace in almost six years. Activity growth also remained soft, coming in well below the rates seen prior to the war in the Middle East, though the expansion contrasts with the declines seen in the UK and Eurozone.

While the rate of private sector cost inflation in the US has increased in every month since March, indicating pipeline price pressures, weak labour market conditions signalled by the PMI could allay concerns of an inflation spike becoming entrenched, reducing the need for tighter policy.

Eurozone

PMI-based policy change probability model: Eurozone



As of June 2026
Source: S&P Global PMI
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In contrast to the BoE and the Fed, the ECB raised interest rates in June for the first time since 2023, in line with the signal of our PMI-based model.

The Composite PMI Input Prices Index rose to its highest since December 2022 in May, driving the probability of an interest rate rise even higher, despite private sector business activity in the eurozone decreasing for a second successive month and to the greatest extent in a year-and-a-half.

Our model had 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 implied probability of a hike rising from its pre-war level of 6% to 49% in June. The net policy bias was consistent with less than 50bps of tightening, thus in line with the ECB's 25bps hike.

Looking ahead

The ECB's stronger aversion to inflation, relative to the BoE and Fed, largely explains why our modelling had the ECB as the most likely to tighten policy in June.

All three will announce rate decisions again in July, but there will be some differences in the data available to respective monetary policy members at the time of their meetings. For the BoE and Fed, a further two months of PMI data will have been published (including 'flash' releases), but just one for the ECB (they meet prior to the publication of July 'flash').

For the BoE, two additional months of PMI data showing stubbornly high inflation, in light of the US-Iran Memorandum of Understanding, could certainly make a July rate rise more tempting for members on the monetary policy committee. That said, the majority were seemingly content in June that rates are sufficiently restrictive at their present levels, and the risk of a further softening of activity would pull the PMI-implied probability of tightening lower once again, emboldening those BoE members in favour of holding.

As for the Fed, financial market pricing at the time of writing has the implied odds of a rate rise in July at around 36%. This was up from less than 10% prior the June meeting, which markets perceived as being on the hawkish side. Nonetheless, should the PMI continue to signal business activity and labour market softness, we are unlikely to see the PMI-based probability model bias tightening to the extent we have seen in the UK and euro area.

Lastly, the June statement from the ECB stressed a "data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance", clearly adding weight to the release of the closely watched indicators for the euro area such as the PMI. While the ECB has shown its willingness to tighten, even if the prevailing economic environment is weak, another month of falling output may add to the case for holding rates.

Links to more resources

- **Sign up to receive updated commentary in your inbox here.**
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- **Running commentary on the PMI survey findings**
- **PMI Frequently Asked Questions**
- **Background to the PMIs (video)**
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