

PMI®

by **S&P Global**

Eurozone

Eurozone business activity grinds higher as flash PMI hits 11-month high in July

The flash PMI® survey data for July indicated that eurozone business activity rose at a slightly faster rate at the start of the third quarter, albeit still indicative of just 0.2% GDP growth. Worryingly, some of this growth likely reflects a temporary boost from the ongoing front-running of US tariffs. Absent any EU-US trade deal, an August 1st deadline looms after which US tariffs are scheduled to rise sharply.

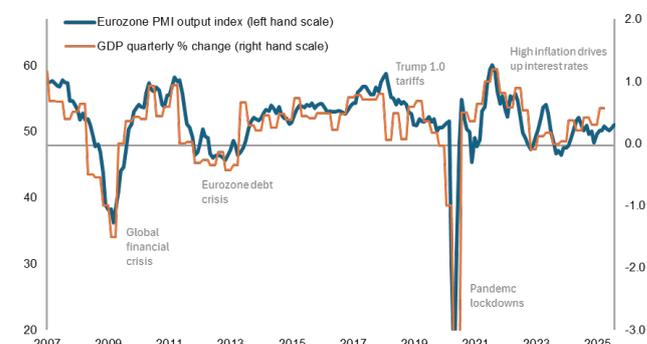
However, bar a deterioration in France, business confidence has continued to revive, especially in Germany, which hints at a broader improvement in the underlying economic environment. Furthermore, with the PMI showing inflation pressures continuing to run at a subdued level consistent with the central bank's target, the survey hints at scope persisting for a further lowering of interest rates after the summer should the growth trajectory be considered too soft.

Eurozone activity edging higher

Eurozone business activity grew at an increased – but still sluggish – rate in July, according to provisional PMI survey data. The seasonally adjusted HCOB Flash Eurozone Composite PMI Output Index, based on approximately 85% of usual survey responses and compiled by S&P Global, rose to 51.0 in July from 50.6 in June.

The latest reading signalled a seventh consecutive monthly increase in business activity across the euro area. Encouragingly, the pace of growth quickened for the second month running to the fastest since August last year. However, a simple statistical model indicates that PMI readings are consistent with eurozone GDP growing at a subdued 0.2% quarterly rate in July after a 0.1% expansion was signalled for the second quarter.¹

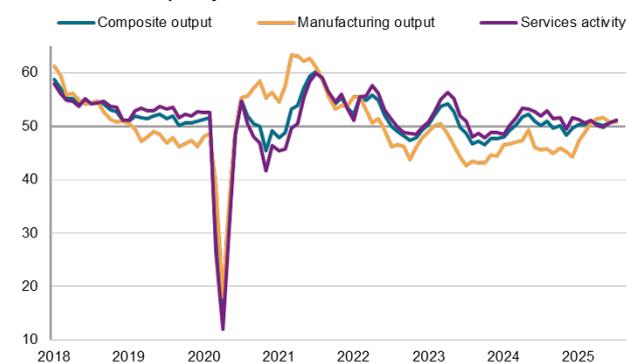
Eurozone PMI as an advance indicator of GDP (economic growth)



Data compiled July 24, 2025 including flash PMI data for July.
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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Output increased across both the manufacturing and services sectors, but in both cases the expansion was only modest. Services nonetheless reported the strongest expansion since January. The marginal output rise in manufacturing in July, which marked the lowest growth rate since March, represents an improvement compared to the marked rate of decline seen at the start of the year and throughout 2024.

Eurozone PMI output by sector



Data compiled July 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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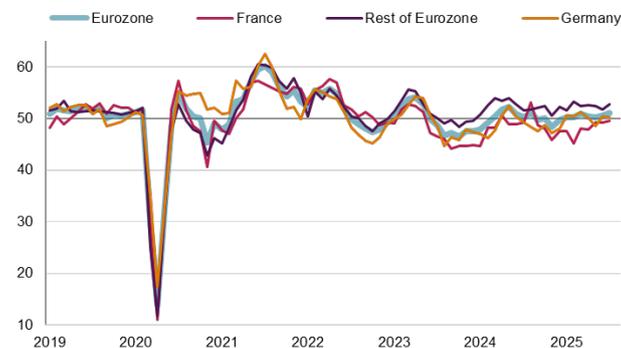
boost from the front loading of exports by traders ahead of US tariffs, which will likely reverse in the second quarter.

¹ While official GDP data pointed to a 0.6% rise in the first quarter, far stronger than the 0.1% gain signalled by the PMI over that period, we estimate that half of that gain was distorted by a huge (9.7%) surge in Ireland with an additional
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Periphery drives expansion

Within the eurozone, Germany reported marginal growth for a second successive month in July, linked to slight gains in both manufacturing and services, while France's downturn moderated across both goods and services to signal only a slight overall decline that was the weakest since output began falling last September. That left the rest of the region as the main growth driver, reporting its strongest expansion collectively since February amid improved performances across both manufacturing and services.

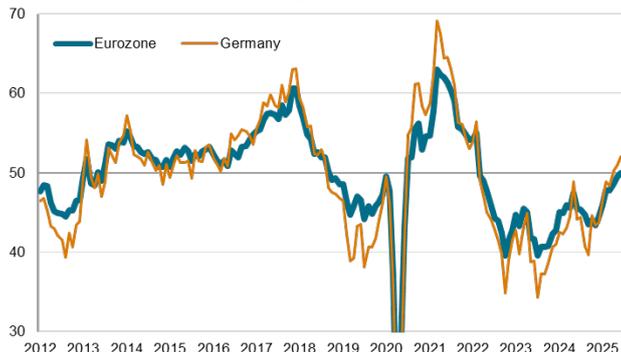
PMI output index, manufacturing & services



Data compiled July 24, 2025.
PMI (Purchasing Managers' Index) based on 50 = no change on prior month, covers goods and services.
Source: S&P Global PMI, S&P Global Market Intelligence, HCOB.
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Encouragingly, eurozone new orders stabilized in July after 13 months of continual decline. Demand for services edged higher for the first time in six months, notably lifting in Germany for the first time in 11 months but slipping further into decline in France. New orders for eurozone goods fell slightly but a marginal expansion was noted in Germany, reflecting a fourth consecutive month of rising goods exports. Goods exports from Germany have bucked a broader downturn in eurozone exports of both goods and services, rising over the past two months to the greatest extent since early 2022.

Eurozone flash PMI manufacturing export orders

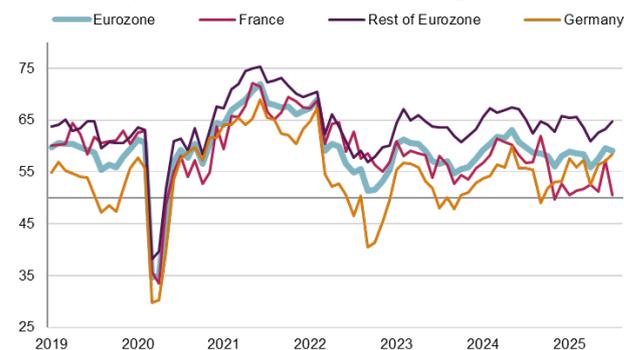


Data compiled July 24, 2025.
PMI (Purchasing Managers' Index) based on 50 = no change in next 12 months.
Source: S&P Global PMI, S&P Global Market Intelligence, HCOB.
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Business outlook

Survey responses suggest that at least some of this improvement to German exports in particular reflects the front-running of US tariffs, which is therefore likely providing only a temporary boost to manufacturing performance. However, it is encouraging to see business expectations about output in the year ahead continuing to run at one of the highest levels seen over the past year on a pan-eurozone basis and that, bar France (where confidence fell back sharply in July, likely linked to domestic political issues raising the specter of austerity), confidence improved further in July. Future prospects are notably among the highest for three years in Germany, led by resurgent optimism in the services economy.

PMI future output expectations index, manufacturing & services



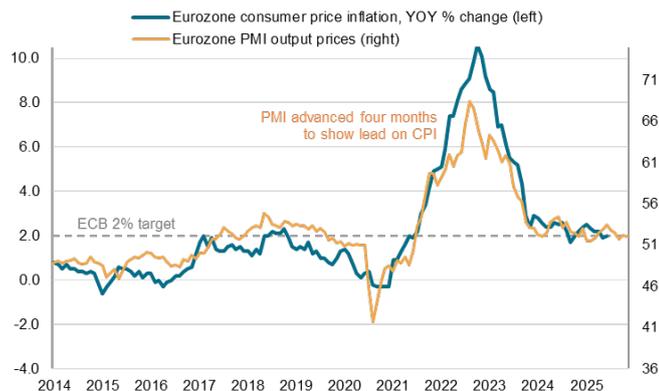
Data compiled July 24, 2025.
PMI (Purchasing Managers' Index) based on 50 = no change in next 12 months, covers goods and services.
Source: S&P Global PMI, S&P Global Market Intelligence, HCOB.
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Inflation at target

Inflation pressures meanwhile remained subdued in July by recent standards. Average prices charged for goods and services across the eurozone rose only modestly, the rate of inflation unchanged on June and only slightly above the survey's long run average. Historical comparisons indicate that this PMI prices charged gauges is roughly indicative of eurozone consumer price inflation holding at the ECB's target 2% rate.

Prices charged for goods were unchanged in July while service sector inflation moderated to a pace that was the second weakest this side of the pandemic.

Eurozone inflation



Data compiled July 24, 2025.

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

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

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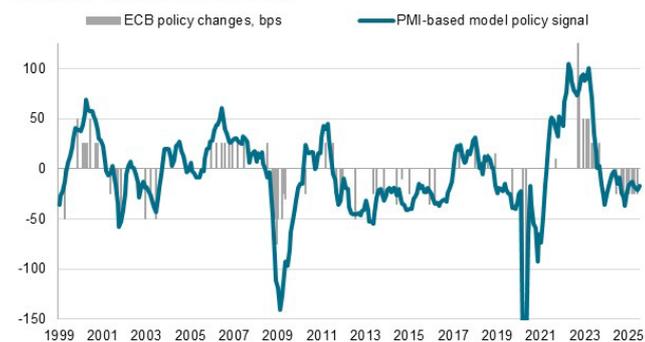
Policy easing bias

The moderating rate of services inflation will be especially encouraging for the ECB, as this has been a key area of post-pandemic inflation concern. The return of inflation to target allows the ECB greater scope to further reduce interest rates if needed to help support the sluggish pace of economic growth.

A composite indicator, based on key PMI gauges and the extent to which inflation is deviating from the ECB's 2% target, remains in rate-cutting territory, reflecting the overall weakness of output growth, the cooler inflation picture, and a largely stalled labour market. July's flash PMI indicated another mere marginal rise in eurozone employment for a fifth successive month after seven months of decline.

The ECB has now cut interest rates by 25 basis points eight times take the Deposit Rate to 2.00% from a peak of 4.00% in the spring of 2024. Moreover, the weakness of the PMI means that another rate cut may be seen as we head into autumn, likely September, if the activity data continue to disappoint.

PMI-based indicator of ECB policy



As of July 24, 2025.

PMI model based on survey output, input price and employment variables plus deviation of CPI from 2% target, detrended. 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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