PMI: Greater dynamism in business activity

July 24, 2026

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- **US: In July, the composite PMI stood at 53.6 pts, driven by activity in the services sector for the period.**
- **Eurozone: Activity returned to expansion territory with 51.9 pts, due to greater dynamism in the services and manufacturing sectors.**
- **United Kingdom: Business activity stood at 52.1 pts from 49.3 previously, with a services sector that rebounded.**

USA: Business activity expands supported by the service sector

Preliminary PMI figures from S&P Global suggest a perception of greater dynamism in economic activity, with the composite PMI expanding to 53.6 points (pts) from 51.9 previously. The boost came from the services sector with an index that extended in the expansion zone (53.6 pts vs. 51.2 previously) and reached an 8-month high. For its part, the manufacturing sector remains stable and growing, but registered a moderation (53.8 pts vs. 53.9 previously) and reached a 4-month low. The data points to a solid start to Q3-26, consistent with annualized GDP growth of 2.0%. The expansion in activity was accompanied by an encouraging recovery in business hiring, reflected in the first increase in employment in three months. However, some of this improvement could be temporary, given the temporary boost to hospitality activities in July, aided by the World Cup. Likewise, the slowdown in manufacturing growth was worrying, although not unexpected, in a context where the process of accumulation of inventories observed in previous months began to lose dynamism.

Selected Economies PMI

	Jun-26	Jul-26
Composite PMI		
United States	51.9	53.6
Eurozone	50.0	51.9
Germany	49.5	51.2
United Kingdom	49.3	52.1
Services PMI		
United States	51.2	53.6
Eurozone	49.4	51.6
Germany	48.6	49.6
United Kingdom	48.8	51.8
Manufacturing PMI		
United States	53.9	53.8
Eurozone	51.4	52.0
Germany	50.3	52.2
United Kingdom	52.5	52.8

Source: Own elaboration with information of Bloomberg. Preliminary figures (points).

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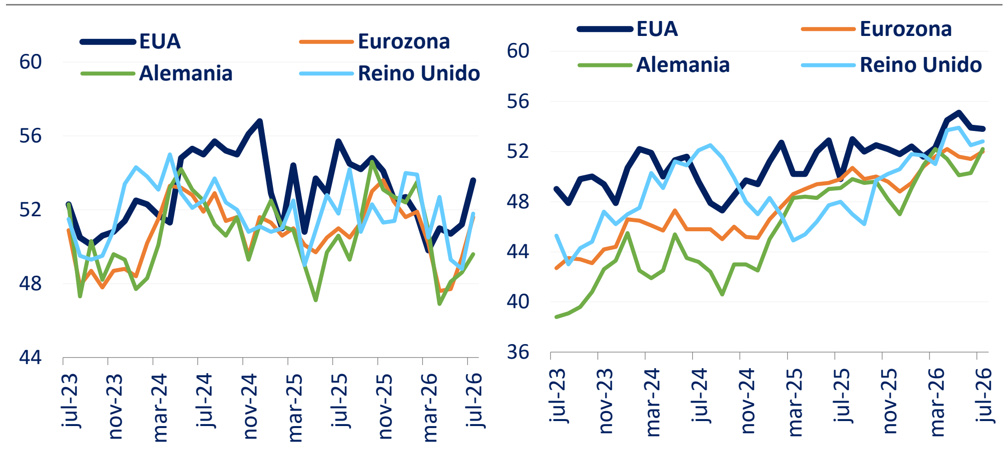
Eurozone, Germany and UK PMI

Preliminary PMI data for the Eurozone suggest that perceptions of the performance of economic activity point to a moderate rebound in July, with a composite index that stood at 51.9 pts and exceeded market expectations (50.3 pts). Domestically, the PMI of the services sector was in the expansion zone and reached its highest level in the last 8 months (51.6 pts vs. 49.4 previously). Likewise, the manufacturing PMI gained momentum in the expansion zone and reached a 3-month high (52.0 pts vs. 51.4 previously).

Within the Eurozone, the PMI readings for Germany reflected an environment of greater dynamism on the performance of business activity, with a composite PMI that returned to the expansion zone (51.2 pts) and exceeded market forecasts (49.8 pts). By components, the services PMI stood at 49.6 pts, suggesting a less pronounced contraction than anticipated by the market consensus (49.0 pts) and an improvement from June's record (48.6 pts). While the manufacturing PMI suggests a rebound in the sector's activity (52.2 pts vs. 50.3 previously). Overall, the indicators are consistent with an economy that is regaining dynamism supported by a manufacturing sector that shows an exceptional rebound and a stable services sector.

Manufacturing PMI Services PMI



Source: Authors' elaboration with information from Bloomberg.

Finally, the United Kingdom shows signs of expansion in the performance of business activity, as suggested by the composite PMI, which stood at 52.1 pts, above market forecasts (49.7 pts). Domestically, the services PMI returns to the expansion zone (51.8 pts), after two consecutive contractions and touching a low of more than three years. Likewise, the manufacturing PMI extends slightly in the expansion zone (52.8 pts vs. 52.5 previously). Overall, companies reported stronger activity in July. An important part of the dynamism of the service sector came from hospitality activities, which are estimated to have been helped by better weather conditions, the World Cup, the holiday period, and the fact that high costs and uncertainty discouraged foreign travel. For its part, the manufacturing industry received a boost from the increase in exports.

What to expect?

Overall, the major European and US economies showed greater economic dynamism, driven mainly by a strong manufacturing sector that remained in the expansion zone. This factor was particularly relevant in Germany, where manufacturing activity was favored by an increase in new orders, especially from abroad, as well as by a moderation in production costs that provided some relief to companies. For its part, the services sector also gained momentum in most of the economies analyzed. The United States and the United Kingdom stood out, where the demand for hospitality services was favored by temporary factors, including the World Cup and a lower propensity to travel abroad, which boosted domestic consumption of these services. However, increased supply chain disruptions and a rebound in oil prices could dampen demand and call into question the sustainability of recent economic dynamism. Looking ahead to the coming months, the evolution of the conflict in the Middle East will be decisive, given its potential impact on inflation, economic activity and global demand.

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