

S&P Global US Services PMI[®]

New order growth strongest since April 2022

Faster growth of business activity and new orders
Output price inflation at four-and-a-half year low
Employment continues to fall

Growth momentum built in the US service sector during November.

Marked increases in both business activity and new orders were signaled during the month, with rates of expansion accelerating. Companies remained wary of committing to new hires, however, and lowered employment marginally again. This contributed to an accumulation of outstanding business.

While input costs continued to increase sharply, the pace of inflation eased in November and output prices rose at the slowest pace in four-and-a-half years.

The seasonally adjusted S&P Global US Services PMI[®] Business Activity Index rose to 56.1 in November, up from 55.0 and above the 50.0 neutral mark for the twenty-second consecutive month. The latest expansion was the fastest since March 2022, fueled by the largest rise in new business in just over two-and-a-half years.

Some firms indicated that the result of the Presidential Election, and end of the uncertainty that had been evident in the lead-up to the vote, had provided the impetus for customers to commit to new orders.

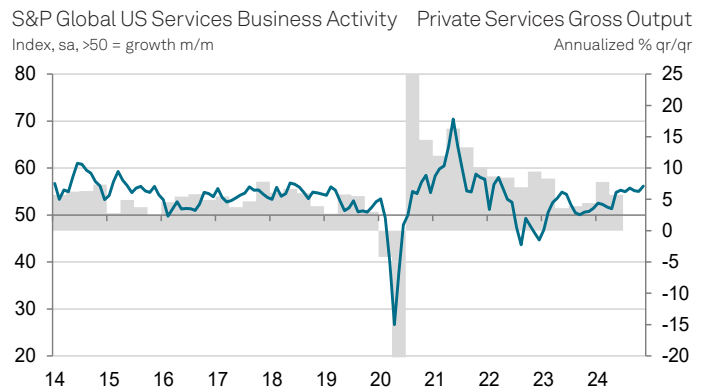
In some cases, lower interest rates had contributed to the rise in new business.

Total new orders were supported by a fifth consecutive monthly increase in new business from abroad, which rose at a faster pace than in October.

Despite stronger increases in output and new orders, service providers again indicated a reluctance to hire additional staff in November. Employment decreased for the fourth month running. Although the pace of job cuts was only slight, generally reflecting the non-replacement of leavers, it quickened to the fastest since August.

The combination of accelerated growth of new work and reductions in staffing levels meant that backlogs of work accumulated, the second time in the past three months in which this has been the case. Moreover, November's rise in outstanding business was solid and the most pronounced since May 2022.

Higher staff costs were again a key driver of rising input prices



Data compiled 12-27 November 2024.
Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence.
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Comment

Chris Williamson, Chief Business Economist at S&P Global Market Intelligence

"Improved service sector output offset a further decline in manufacturing during November, helping drive the overall pace of growth of business activity to the fastest for over two and a half years. The recent survey data are consistent with GDP growing at an annualized 2.6% rate in the fourth quarter, assuming a similarly robust expansion is seen in December.

"Companies have reported stronger demand for services thanks to the clearing of political uncertainty following the election, as well as brighter prospects for the economy in 2025 linked to the incoming administration and hopes for lower interest rates. The latter, alongside strong market gains in recent weeks, has helped drive an especially strong surge in demand for financial services, though November also saw robust growth for business and consumer services.

"It was surprising to see employment continue to fall, given the strength in demand for services reported during November, which hints at ongoing labor supply issues and the potential for stubborn wage growth. However, despite another month of above-average input cost inflation in the services sector, average prices charged for services rose only very slightly amid increased competition."

in the service sector, while increased transportation costs were also mentioned. Input prices rose sharply in November, albeit at the slowest pace since June.

The rate of output price inflation also slowed, easing to the weakest in the current four-and-a-half year sequence of rising charges. Although some companies increased selling prices in response to higher costs, others lowered charges amid competitive pressures.

Companies remained optimistic that business activity will increase over the coming year, with positive sentiment in part linked to an anticipation that the incoming administration will help the business environment. New product launches, marketing plans and hopes for reductions in interest rates were also factors supporting optimism. That said, confidence dipped slightly from that seen in October and was below the series average.

S&P Global US Composite PMI®

Marked increase in business activity in November

The S&P Global US Composite PMI Output Index rose to a 31-month high of 54.9 in November from 54.1 in October. The latest reading signaled a marked monthly increase in output.

The overall expansion continued to be driven by services, while manufacturing output decreased again.

There were some signs of demand stabilizing in the manufacturing sector, however. Alongside a marked improvement in services, this led overall growth of new orders to hit a two-and-a-half year high.

Output prices rose at the slowest pace in four-and-a-half years of inflation.

Methodology

The S&P Global US Services PMI® is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 service sector companies.

The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in October 2009.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

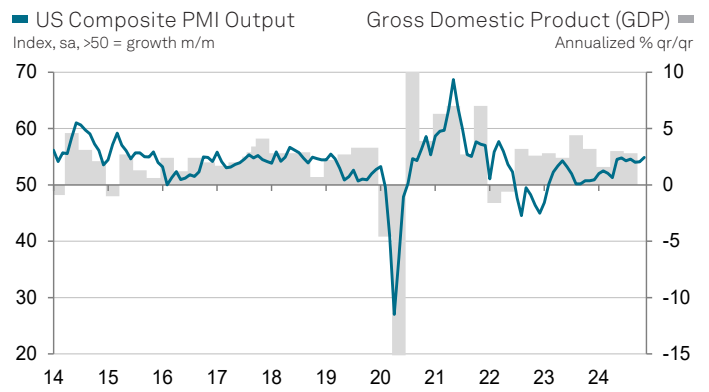
The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

PMI by S&P Global

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