

# S&P Global US Flash PMI<sup>®</sup>

## Growth accelerates in July as rising demand for services offsets manufacturing dip

### July 2025

Flash US Composite PMI Output Index: 54.6  
(June: 52.9). 7-month high.

Flash US Services PMI Business Activity Index: 55.2 (June: 52.9). 7-month high.

Flash US Manufacturing Output Index: 51.2  
(June: 53.1). 2-month low.

Flash US Manufacturing PMI: 49.5  
(June: 52.9). 7-month low.

US business activity grew at a sharply increased rate in July, according to early 'flash' PMI<sup>®</sup> data, marking a strong start to the third quarter. Employment growth was also sustained. However, private sector expansion became increasingly unbalanced, as manufacturing business conditions deteriorated in contrast to a strengthening services economy, the latter fueled by rising domestic demand.

Business confidence in the outlook meanwhile deteriorated in both sectors as companies reported ongoing concerns over the impact of government policies, especially in relation to federal spending cuts and tariffs.

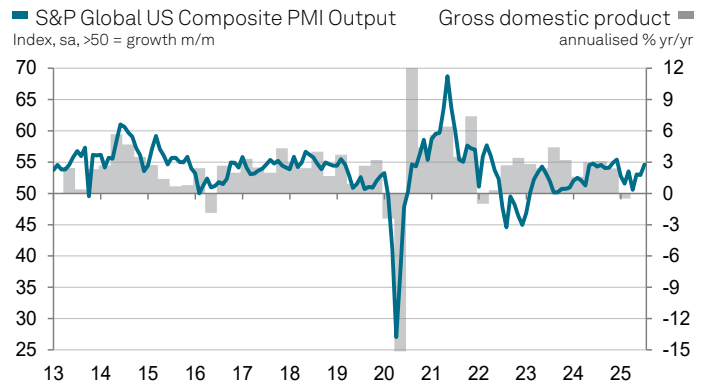
Alongside upward wage pressures, tariffs were also again widely linked to steeper cost inflation, which was increasingly passed through to customers. The resulting rate of inflation for prices charged for goods and services was among the largest seen over the past three years.

### Output and demand

The headline S&P Global US PMI Composite Output Index rose sharply from 52.9 in June to 54.6 in July, according to the 'flash' reading (based on about 85% of usual survey responses). The latest reading signalled the fastest rate of growth recorded so far this year, with output having now increased continually for 30 months.

July's expansion was powered by the services economy, where business activity rose at a rate not seen since last December. Although manufacturing output also rose, up for a second successive month, the rate of production growth moderated to signal only a modest expansion.

New orders growth also accelerated to match the pace seen back in May, albeit with an improvement in new business inflows into the service sector being offset by the first (albeit marginal) drop in factory orders recorded so far this year. In both cases, total new orders were adversely impacted by a



Data were collected 10-23 July 2025.

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:

*"The flash PMI data indicated that the US economy grew at a sharply increased rate at the start of the third quarter, consistent with the economy expanding at a 2.3% annualized rate. That represents a marked improvement on the 1.3% rate signalled by the survey for the second quarter.*

*"Whether this growth can be sustained is by no means assured. Growth was worryingly uneven and overly reliant on the services economy as manufacturing business conditions deteriorated for the first time this year, the latter linked to a fading boost from tariff front-running.*

*"Business confidence about the year ahead has also deteriorated in both manufacturing and services to one of the lowest levels seen over the past two-and-a-half years. Companies cite ongoing concerns over the impact of government policies, notably in terms of both tariffs and cuts to federal spending.*

*"Inflation pressures have meanwhile intensified. Companies most commonly attributed higher costs and selling prices to tariffs, though increased labour costs are also prevalent, in part reflecting labor shortages.*

*"The rise in selling prices for goods and services in July, which was one of the largest seen over the past three years, suggests that consumer price inflation will rise further above the Federal Reserve's 2% target in the coming months as these price hikes feed through to households."*

fall in exports, which collectively fell for the third time in the past four months and at the sharpest rate since April.

While service providers saw improved domestic demand from both households and businesses, the renewed drop in demand in the manufacturing sector was often attributed to tariffs, higher prices and heightened economic uncertainty.

### Inventories and supply chains

The deteriorating manufacturing picture was also linked to inventory control. Having built up their inventories of both raw materials and finished goods in May and June, often attributed to factories and their customers seeking to front-run tariffs, manufacturers reported lower stock holdings in both cases during July. Purchasing of inputs likewise rose at a sharply reduced rate amid reduced reports of the need to front-run potential tariff hikes on imported goods. Supplier deliveries quickened as a result of the reduced pressure on supply chains.

### Prices

Price pressures intensified across both manufacturing and service sectors during July, widely blamed on higher goods prices due to tariffs but also in some cases due to rising labor costs. Average prices charged for goods and services rose at a rate just shy of May's recent high to register the second-strongest monthly increase since September 2022.

Services price inflation accelerated to register the second-steepest increase since April 2023 and, although factory gate selling price inflation eased, the rise in charges for manufactured goods was the second largest since November 2022.

Input cost inflation also picked up again, having eased slightly in June, registering the second-steepest rise since January 2023. The rate of input cost inflation remained especially sharp in manufacturing, despite cooling compared to June's post-pandemic peak, and accelerated in services.

Close to two-thirds of all manufacturers reporting higher input costs attributed these to tariffs, whilst just under half of respondents explicitly linked their increased selling prices to tariffs. However, the tariff impact was by no means limited to factories, as around 40% of service providers reporting higher selling prices explicitly mentioned tariffs.

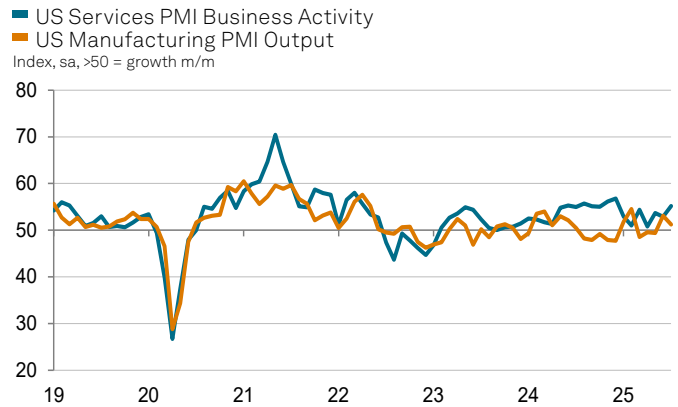
### Capacity and employment

Employment rose for a fifth straight month as companies took on additional staff in response to rising backlogs of work. Uncompleted orders rose at a pace not witnessed since May 2022.

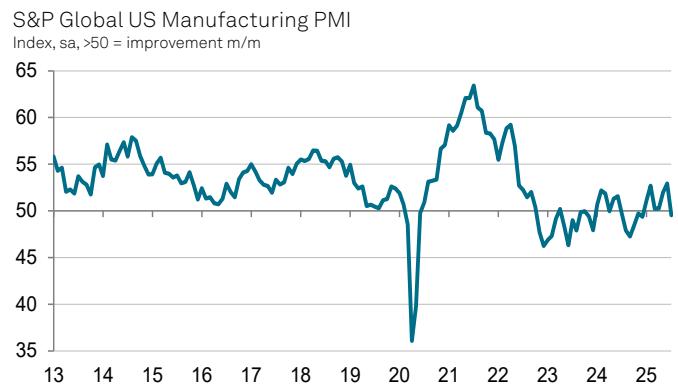
However, these trends varied markedly by sector. Backlogs rose at the steepest rate for over three years in the services economy as firms struggled to meet demand, despite reporting the largest gain in payroll numbers since January. In contrast, manufacturing backlogs fell, causing a drop in factory payrolls for the first time in three months.

### Future sentiment

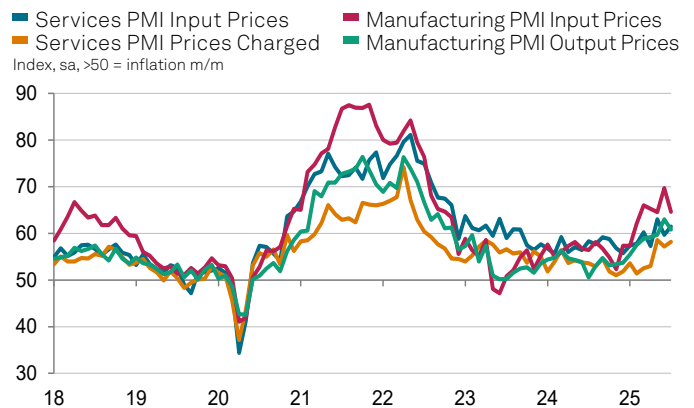
Companies' expectations about output in the year ahead fell for a second successive month in July, dropping further below the survey's long-run average amid declines in both manufacturing and service sector confidence. Although



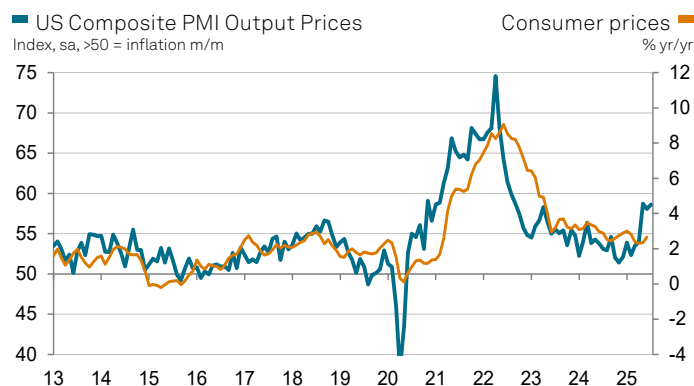
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optimists continued to outnumber pessimists, sentiment in July was the lowest recorded for just over two-and-a-half years bar only April's recent nadir.

Reduced optimism again primarily reflected broad-based concerns over tariffs and cuts to state funding following recent federal government policy changes. Even in manufacturing, any protectionist benefits of import tariffs were often outweighed by concerns over higher prices and rising costs.

## Manufacturing PMI

The S&P Global Flash US Manufacturing PMI fell to 49.5 in July, down from June's 37-month high, signaling a renewed deterioration of factory business conditions for the first time since December.

Production growth slowed as new orders placed at factories fell for the first time this year. Both employment and inventories of purchases also dropped for the first times since April. Supplier delivery times meanwhile quickened for the first time since September last year, improving to the greatest extent for 17 months in a sign of less-busy supply chains (and hence also pulling the PMI lower).

## Methodology

Final July data are published on 1 August for manufacturing and 5 August for services and composite indicators.

The S&P Global Flash US Composite PMI® is compiled by S&P Global from responses to questionnaires sent to survey panels of around 650 manufacturers and 500 service providers. The panels are each stratified by detailed sector and company workforce size, based on contributions to GDP. The services sector is defined as consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. The following variables are monitored:

**Manufacturing:** Output, new orders, new export orders, backlogs of work, stocks of finished goods, employment, quantity of purchases, suppliers' delivery times, stocks of purchases, input prices, output prices, future output.

**Services:** Business activity, new business, new export business, outstanding business, employment, input prices, prices charged, future activity.

A diffusion index is calculated for each manufacturing and services 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.

Composite indices for are calculated by weighting together comparable manufacturing and services indices using official manufacturing and services annual value added.

The headline figure is the Composite Output Index. This is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. It may be referred to as the 'Composite PMI' but is not comparable with the headline Manufacturing PMI, which is a weighted average of five manufacturing indices (including the Manufacturing Output Index).

The headline manufacturing figure is the Manufacturing Purchasing Managers' Index™ (PMI®). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

The headline services figure is the Services Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The 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.

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Flash data are calculated from around 80-90% of total responses and are intended to provide an accurate early indication of the final data. Since flash data were first processed, the average differences between final and flash index values for the headline indices are:

Composite Output Index = 0.1 (absolute difference 0.4)

Services Business Activity Index = 0.1 (absolute difference 0.4)

Manufacturing PMI = 0.0 (absolute difference 0.3)

S&P Global do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from S&P Global.

For further information on the PMI survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

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