News Release

Embargoed until 0945 EDT (1345 UTC) 03 July 2024

S&P Global US Services PMI®

New orders expand at fastest pace for a year

Key findings

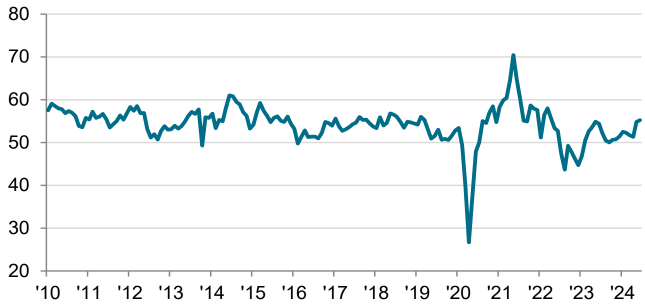
Sharper increases in activity and new orders

Employment returns to growth

Inflationary pressures ease slightly

S&P Global US Services Business Activity Index

sa, >50 = growth since previous month



Data were collected 12-26 June 2024.

Source: S&P Global PMI.

Growth momentum improved in the US service sector in June, with firms seeing sharper increases in both business activity and new orders. Companies responded to growth of new business by increasing workforce numbers for the first time in three months, but backlogs of work built up nonetheless.

Rates of increase in both input costs and output prices eased in June, but in each case remained above pre-pandemic averages. Higher labor costs were central to price rises.

The seasonally adjusted S&P Global US Services PMI® Business Activity Index increased for the second consecutive month in June, posting 55.3 following a reading of 54.8 in May. Activity in the sector has now risen in each of the past 17 months, with the latest expansion the most pronounced since April 2022.

Some firms reported that an increase in customer numbers had helped them to be able to secure greater volumes of new orders and thus raise business activity. Some of these new customers were secured as a result of referrals from existing clients, while successful marketing also contributed to new order growth.

Total new business expanded for the second month running, and at a solid pace that was the fastest for a year. The rise in overall new orders was recorded in spite of further weakness in new business from abroad, which decreased for the fifth consecutive month. Lower demand from Europe was mentioned by some respondents.

Higher new orders resulted in a fresh increase in employment in the sector, ending a two-month sequence of reduction. Moreover, the rate of job creation was solid and the sharpest since May 2023.

Despite the solid rise in workforce numbers in June, the recent spell of job cuts and a quicker inflow of new business meant that the capacity of service providers was tested at the end of the second quarter. Outstanding business

Comment

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

"US service sector companies reported an encouragingly solid end to the second quarter, with output rising at the fastest rate for over two years. Both new order inflows and hiring have also accelerated, the latter buoyed by firms taking on more workers in response to rising backlogs of work.

"With additional – albeit more muted – support coming from the manufacturing sector, the survey data point to GDP rising at an annualized 2.0% rate in the second quarter, with a 2.5% rate seen for June. Forward momentum is therefore gathering pace.

"There is some nervousness creeping in regarding the post-election business environment, but for now at least confidence about the outlook for the coming year remains elevated by recent standards and supportive of businesses investing in expansion.

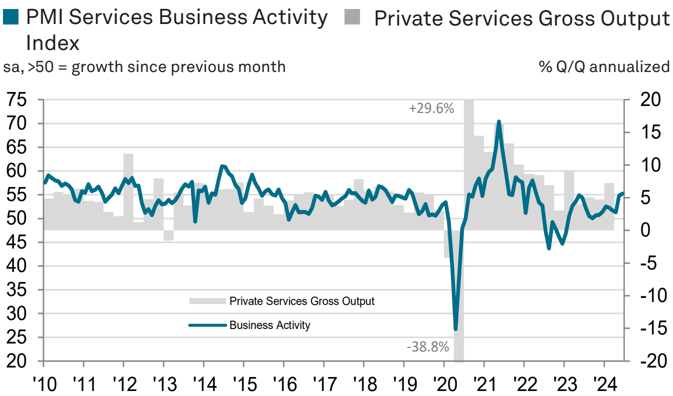
"Some of this optimism relates to ongoing convictions that interest rates will start to fall before the end of the year. In this respect, a further cooling of price pressures in the survey – notably in the services sector – adds to signs that inflation should trend lower in the coming months to open the door further for rate cuts."

increased slightly, the first accumulation in five months.

The rate of input cost inflation softened in June, but remained marked and was faster than the pre-pandemic average. More than 18% of respondents signalled a rise in input prices, which they primarily linked to increases in staff pay.

In response to higher operating costs, particularly those related to labor, service providers increased their own selling prices again. Charges have risen continuously on a monthly basis since June 2020. The latest increase was solid, albeit slightly softer than recorded in May.

Business confidence picked up for the second month running, hitting a five-month high and coming in only just below the series average. The recent increase in new orders and hopes that this will continue over the year ahead supported optimism, while there were also expectations that interest rates will start to come down. Some firms predicted that a hesitancy among certain clients to commit to new projects would end once the election period comes to an end, further supporting growth.



Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence.

S&P Global US Composite PMI®

Renewed rise in employment as output growth quickens

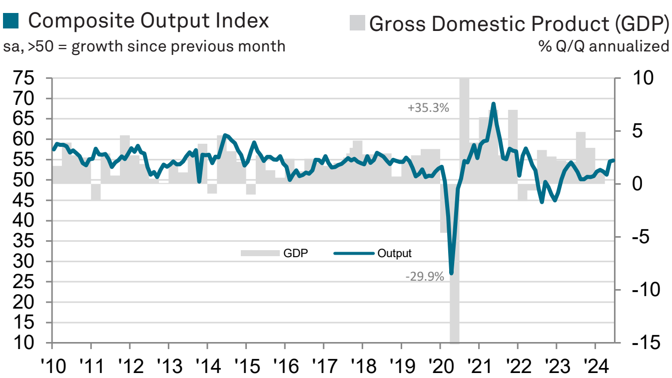
Looking at business trends across the combined manufacturing and service sectors, the S&P Global US Composite PMI Output Index* posted 54.8 in June, up from 54.5 in May and signaling the fastest increase in business activity since April 2022. Services activity rose more quickly than manufacturing production.

The expansion in output reflected an improved picture for new orders, which rose for the second month running, and at the fastest pace for a year. The rise in total new business was recorded in spite of a dip in new export orders.

In line with higher new orders and a rise in backlogs of work, companies increased their staffing levels for the first time in three months.

Rates of both input cost and output price inflation eased slightly from May.

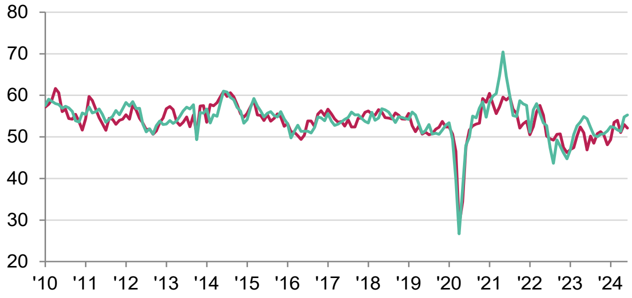
Meanwhile, firms remained optimistic of a rise in output over the coming year, with confidence little changed from the previous month.



Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence.

*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

Services PMI Business Activity Index
Manufacturing PMI Output Index
sa, >50 = growth since previous month



Source: S&P Global PMI.

US Services PMI Input Prices Index
sa, >50 = inflation since previous month

Source: S&P Global PMI.

Survey 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.

About S&P Global

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. www.spglobal.com/marketintelligence/en/mi/products/pmi

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