

# News Release

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## S&P Global US Services PMI<sup>®</sup>

### Business activity rises at fastest pace since March 2022

#### Key findings

Marked increase in activity as new order growth quickens

Employment falls for first time in three months

Slowest pace of output price inflation since January

Growth strengthened in the US service sector during August. Business activity rose at the fastest pace in almost two-and-a-half years amid stronger new order inflows. Less positively, however, employment decreased following two months of job creation.

Input costs continued to increase sharply amid higher supplier charges and rising salaries. That said, the rate of selling price inflation eased to a seven-month low.

The seasonally adjusted S&P Global US Services PMI<sup>®</sup> Business Activity Index rose to 55.7 in August from 55.0 in July, signaling a marked monthly increase in service sector output, and one that was the most pronounced since March 2022. Activity has now risen in each of the past 19 months.

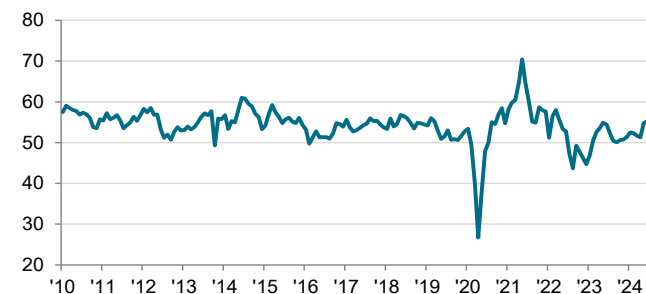
The expansion in business activity was linked by respondents to higher new orders and success in securing new customers. Additional clients helped firms to increase their new business volumes for the fourth consecutive month. Here too the pace of expansion quickened, with the solid rise the most marked since June 2023.

Growth in total new business was supported to some extent by a second consecutive monthly rise in new export orders, although the rate of expansion in new business from abroad remained only marginal as international demand was generally subdued. Where new export orders did rise, panellists often noted sales to customers in other parts of North America.

Companies were able to keep on top of workloads midway through the third quarter in spite of new business imparting some pressure on capacity. Outstanding business was broadly stable, ending a two-month sequence of accumulation.

Despite the stronger improvements in both activity and new business, there was disappointing news on the jobs front as employment decreased for the first time in three months during August. The reduction in staffing levels was only

S&P Global US Services Business Activity Index  
sa, >50 = growth since previous month



Data were collected 12-28 August 2024.  
Source: S&P Global PMI.

#### Comment

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

*“An improvement in the headline services PMI to its highest for nearly two-and-a-half years provides further encouraging evidence that the US economy is enjoying robust economic growth in the third quarter, adding to signs of a ‘soft landing’.*

*“The faster service sector expansion means the PMI surveys are signalling GDP growth of 2-2.5% in the third quarter. At the same time, the August survey data signaled a further cooling of selling price inflation, notably in the service sector, which has now eased close to the average seen prior to the pandemic and a level consistent with the Fed’s 2% inflation target.*

*“Services growth has been buoyed in particular by the prospect of lower interest rates, but there are several headwinds which could dampen growth in the months ahead. Business optimism and investment is being subdued by uncertainty regarding the outcome of the Presidential Election. Hiring is meanwhile being constrained by labor shortages, which also continue to put upward pressure on wages.*

*“However, perhaps more worryingly, the recent downturn in manufacturing activity is showing some signs of spilling over to the broader economy, notably via stalled orders for industrial services.*

*“It will therefore be important to monitor whether the service sector succumbs to the recent weakening of factory activity or whether looser monetary policy creates a rising tide to lift all boats.”*

PMI<sup>®</sup>

by S&P Global

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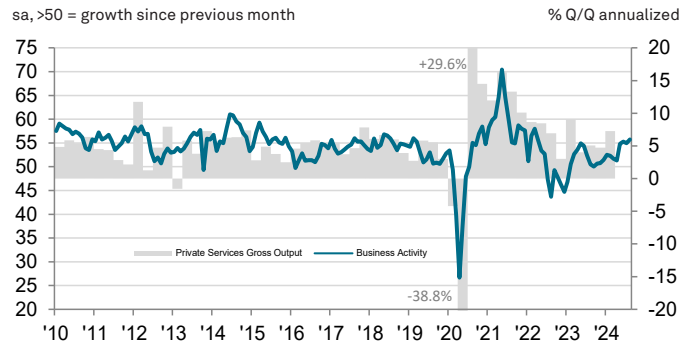
modest, however. Respondents often reported that leavers had not been replaced, mostly due to cost considerations.

Indeed, companies continued to report sharp increases in input prices during the month, with the rate of inflation remaining above the series average despite easing slightly from July. Salary pressures remained a factor pushing up input costs, while higher charges from suppliers were also widely reported.

Output prices continued to be raised in order to pass on higher input costs to customers, although there were some reports of discounting to help secure sales. As a result, the pace of prices charged inflation eased for the third month running in August and was the softest since January.

Turning to the future, service providers were again optimistic that their business activity will rise over the coming 12 months, with confidence often reflecting expectations that new orders will continue to increase. Other factors supporting optimism were predicted reductions in interest rates and expectations that business conditions would improve following the presidential election. Close to 41% of respondents were optimistic about the year-ahead outlook for activity, while 8% were pessimistic.

■ PMI Services Business Activity ■ Private Services Gross Output Index



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

## S&P Global US Composite PMI®

### Service sector growth drives output higher in August

The S&P Global US Composite PMI Output Index\* increased to 54.6 in August from 54.3 in July, pointing to a marked monthly rise in business activity. Output has now risen in each of the past 19 months.

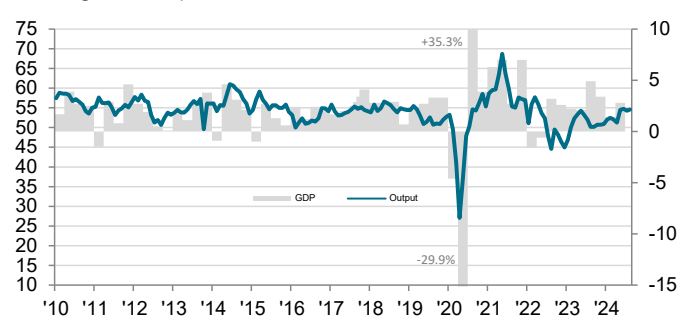
The overall increase in activity masked stark sectoral differences, however. Growth was centred on the service sector, where activity increased at the fastest pace since March 2022. In contrast, manufacturing production decreased for the first time in seven months.

A similar picture was seen with regards to new orders, with growth in services outweighing a decline in manufacturing.

Both sectors saw employment fall, however, with composite staffing levels down for the first time in three months as a result.

Input costs continued to increase sharply during August, while the pace of selling price inflation eased to a seven-month low amid a weaker rise in services.

■ Composite Output Index ■ Gross Domestic Product (GDP)



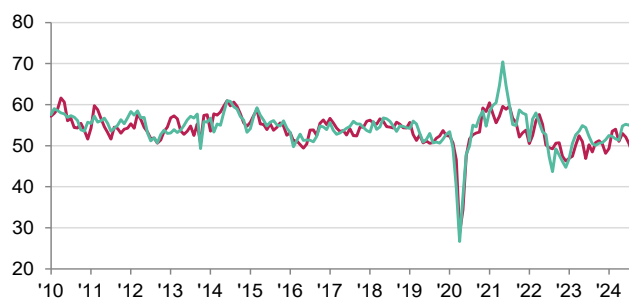
Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence.

\*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

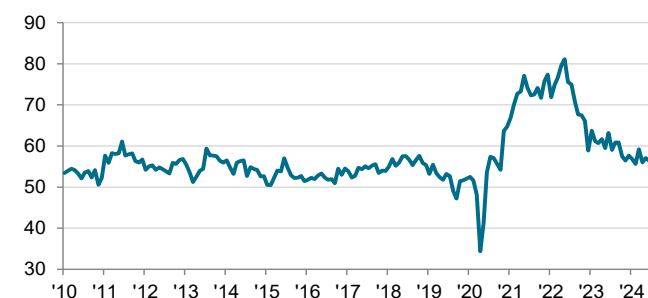
sa, >50 = growth since previous month



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](mailto:economics@spglobal.com).

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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](http://www.spglobal.com/marketintelligence/en/mi/products/pmi)

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