

S&P Global US Services PMI[®]

Upturn in services growth tainted by higher costs and reduced optimism about the year ahead

Higher activity accompanied by further demand growth

Operating expenses again rise markedly

Confidence down to six-month low amid ongoing uncertainty

Latest PMI[®] survey data from S&P Global showed that the US service sector registered a solid and accelerated pace of activity growth during October.

Higher service sector output was accompanied by a firm rise in incoming new business, although an uncertain economic and political outlook reportedly meant that hiring growth was modest and confidence about the future fell to a six-month low.

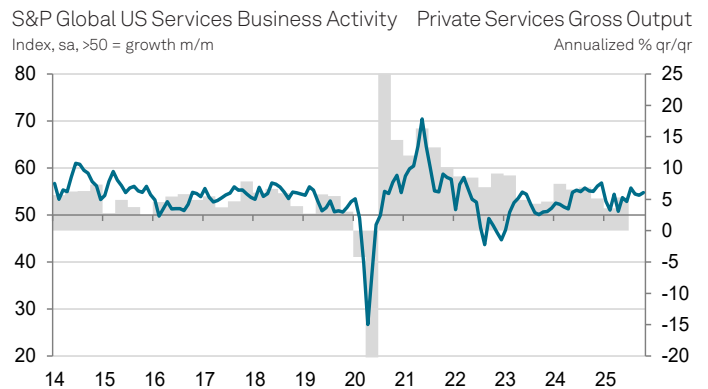
Moreover, selling price inflation was limited by competitive pressures, dropping to its lowest level since April despite elevated cost pressures from tariffs and rising employee expenses.

The headline S&P Global US Services PMI[®] Business Activity Index edged higher in October, rising to 54.8 from September's 54.2. Remaining above the critical 50.0 no-change mark for a thirty-third successive month, the index was consistent with a marked rate of growth that was slightly above the survey trend.

Supporting growth in activity was a solid, and slightly faster, increase in new business volumes. Panelists reported that client demand and enquiry levels had improved since September, although some ongoing uncertainty created by tariffs and government policies placed a limit on demand growth. This was especially the case for international customers, with a marginal decline in new export business recorded in October for the sixth time in the past seven months.

With activity rising to a quicker degree than overall new work, service providers were broadly able to keep on top of their workloads in October. Although rising overall for an eighth month in succession, levels of work outstanding increased only marginally and to the softest degree since March. Additional employment numbers also helped to limit backlog growth, with latest data signaling an eighth consecutive monthly increase in staffing levels. As well as dealing with greater workloads, staff were hired to support new projects and sales efforts.

Whilst improving since September, the rate of employment growth was only modest amid some reports that leavers were not being replaced. This partly stemmed from cost considerations, with service providers noting that labor related expenses had been a source of increased overall operating expenses during October. Tariffs were also reported



Data were collected 9-29 October 2025.
Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence. © 2025 S&P Global.

Comment

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

“October’s final PMI data add to signs that the US economy has entered the fourth quarter with strong momentum. Growth in the vast services economy has picked up speed to accompany an improved performance in the manufacturing sector. In total, business activity is growing at a rate commensurate with GDP rising at an annualized pace of around 2.5% after a similarly solid expansion was signalled for the third quarter.

“While growth is being driven principally by the financial services and tech sectors, the survey is also picking up signs of improving demand from consumers.

“However, there are signs that new business is coming at the cost of service providers having to soak up continued high input price growth to remain competitive. Customers are often pushing back on price rises, especially in consumer-facing markets. While good news in terms of inflation, this lack of pricing power hints at weak underlying demand and lower profits.

“Business expectations about the year ahead have also fallen sharply and are now running at one of the lowest levels seen over the past three years, as signs of spending caution from customers is accompanied by heightened political and economic uncertainty. However, lower interest rates have helped offset some of the drags to business confidence, for which the October FOMC rate cut will have likely helped further.”

to have driven up input costs since September.

Although steep, input costs rose to the slowest degree in six months, which helped to explain a similar slowdown in the rate of selling price inflation (also the weakest since April). Panelists reported that competitive pressures had limited the degree to which higher costs could be passed onto clients.

Finally, looking ahead, service providers remained positive about future activity levels during October, albeit to a reduced degree compared to September. Interest rate cuts were reported to have bolstered sentiment, with firms expecting these to support improved spending and economic output. Firms were more uncertain however when considering the role of federal government policies in supporting growth

S&P Global US Composite PMI®

The S&P Global US Composite PMI® edged up to 54.6 in October, from 53.9 in September.

Growth was driven by concurrent upturns in manufacturing and service sector output.

Supporting the rise in overall activity was a solid increase in new business growth. Firms took on additional workers, but only modestly as confidence in the outlook remained subdued, dropping to a six-month low.

Prices data showed the slowest increases in costs and selling prices since April.

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.

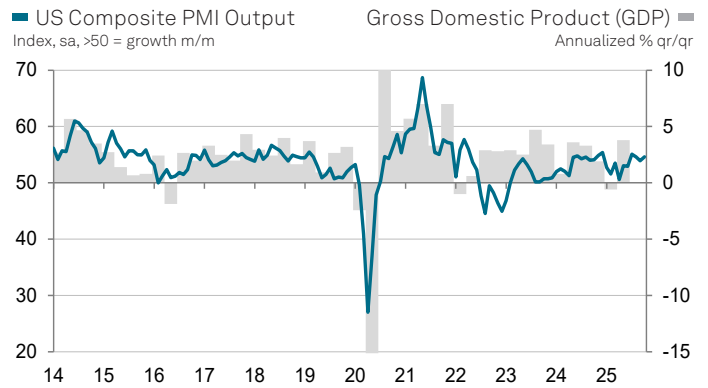
The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' 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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