

# News Release

Embargoed until 0945 EDT (1345 UTC) 05 June 2023

## S&P Global US Services PMI™

### Strongest upturn in business activity for over a year as demand conditions improve

#### Key findings

Sharpest rise in new business since April 2022

Cost pressures soften but remain marked

Solid upturn in employment

Business activity across the US service sector grew at a sharper pace in May, according to the latest PMI™ data from S&P Global. Output rose at the fastest rate for just over a year, supported by a strong expansion in new business. The upturn in new orders was driven by improved demand conditions in both domestic and export markets. At the same time, firms stepped up their hiring activity again, with employment increasing at a solid pace. Sufficient capacity to process incoming new business allowed companies to reduce backlogs of work for the first time in four months. Meanwhile, business confidence picked up to the highest level in a year, albeit still weaker than the series average.

On the price front, rates of both input price and output charge inflation softened since April though remained elevated.

The seasonally adjusted final S&P Global US Services PMI Business Activity Index registered 54.9 in May, up from 53.6 in April and broadly in line with the earlier released 'flash' estimate of 55.1. The latest upturn in business activity was the fourth successive monthly increase, with the pace of expansion accelerating to the steepest since April 2022. Greater output reportedly stemmed from stronger demand conditions driving a sharper rise in new orders.

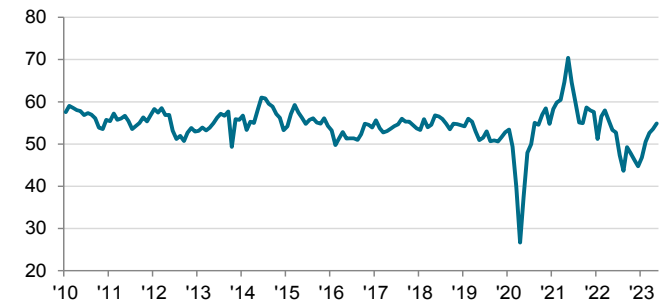
Growth in new business quickened again, with the rate of increase the steepest in just over a year. Companies noted that greater client confidence supported the expansion in new orders, as customers – especially in consumer markets – were more inclined to spend. Some also highlighted a broader client base and the acquisition of new customers.

Contributing to the rise in new orders was a renewed upturn in new business from abroad in May. New export orders increased for the first time in a year, and at a solid pace. Demand conditions at new and existing customers reportedly strengthened to support the latest expansion.

At the same time, service providers registered another marked increase in input costs. Greater business expenses

S&P Global US Services Business Activity Index

sa, >50 = growth since previous month



Data were collected 12-26 May 2023.  
Source: S&P Global.

#### Comment

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

"The US continued to see a two-speed economy in May, with the sluggishness of the manufacturing sector contrasting with a resurgent service sector. Businesses in sectors such as travel, tourism, recreation and leisure are enjoying a mini post-pandemic boom as spending is switched from goods to services.

"The survey data are indicative of GDP growing at an annualized rate of just over 2%, and an upturn in business expectations points to growth remaining robust as we head further into the summer.

"However, just as demand has moved from goods to services, so have inflationary pressures. While goods price inflation has fallen dramatically in May to register only a marginal increase, prices charged for services continue to rise sharply. Although down considerably on last year's peaks, service sector inflation remains higher than any time in the survey's 10-year history prior to the pandemic, bolstered by a combination of surging demand and a lack of operating capacity, the latter in part driven by labor shortages.

"However, while rejuvenated service providers will make hay in the summer season, the weakness of manufacturing raises concerns about the economy's resilience later in the year, when the headwind of higher interest rates and the increased cost of living is likely to exert a greater toll on spending."

PMI™

by S&P Global

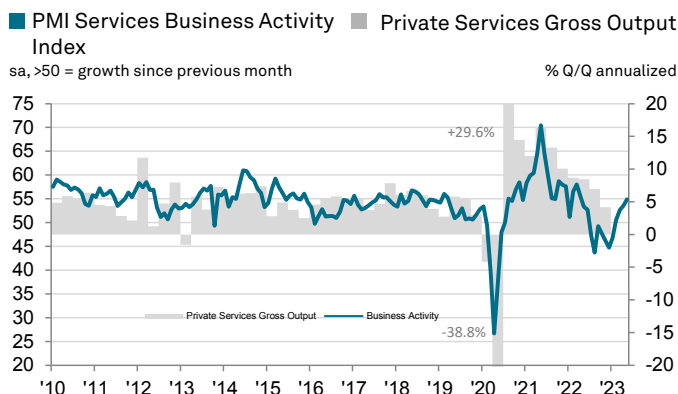
were partly linked to increased supplier prices, but were largely attributed to higher wage bills and upward pressure on salaries. Although easing from that seen in April to the second-slowest since October 2020, the rate of input cost inflation remained historically elevated.

Service sector firms also saw a moderation in the rate of output charge inflation during May. Companies commonly stated that greater selling prices were due to the pass-through of higher costs to customers. The rate of charge inflation eased from April but was the second-fastest since September 2022 and sharper than the long-run series average.

In line with a stronger expansion in new business, service sector firms increased their workforce numbers at a solid pace. Matching the payroll gain seen in April, the rate of job creation was the joint-fastest since August 2022. Some companies noted that long-held vacancies were also filled following an increased availability of candidates, whilst others mentioned hiring was stepped up amid anticipated growth in demand.

Greater employment allowed firms to reduce the level of unfinished business during May. Backlogs of work contracted for the first time in four months.

Output expectations for the year ahead among service providers improved in May, as the degree of confidence rose to the highest in a year. Although weaker than the series trend, optimism was attributed to investment in marketing and advertising, alongside hopes for further boosts to new business.



Sources: S&P Global, Bureau of Economic Analysis.

## S&P Global US Composite PMI™

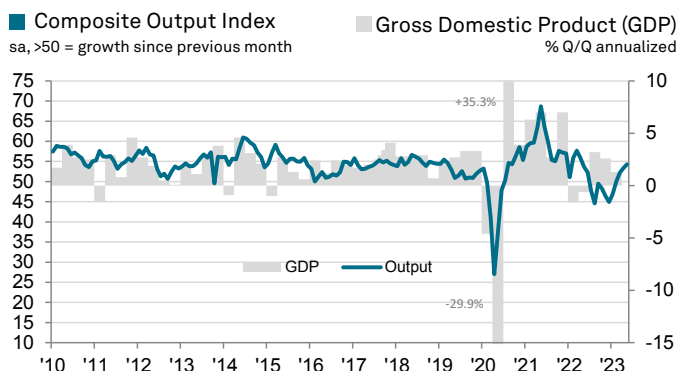
### Private sector output growth quickens to sharpest since April 2022

The S&P Global US Composite PMI Output Index\* posted 54.3 in May, up from 53.4 in April, to signal the fastest expansion in business activity for just over a year. The upturn was driven by the service sector which helped offset a weaker rise in manufacturing production.

Total new business continued to increase in May, as sectoral trends diverged. Service providers indicated a strong rise in new orders, whilst manufacturers recorded a renewed contraction. At the same time, new export orders weighed further on total new sales due to a sharp drop in overseas goods trade.

Employment rose at a solid pace in May, as a greater availability of candidates allowed firms to successfully recruit. Manufacturers and service providers saw a fall in backlogs of work as a result of greater capacity.

Inflationary pressures eased in May, as manufacturing firms recorded the first decrease in input prices for three years and cost growth slowed - though remained elevated - in services. Meanwhile, output charges continued to rise at a marked pace, led by a sharp uptick in service sector selling prices as goods producers saw only a marginal rise in charges.

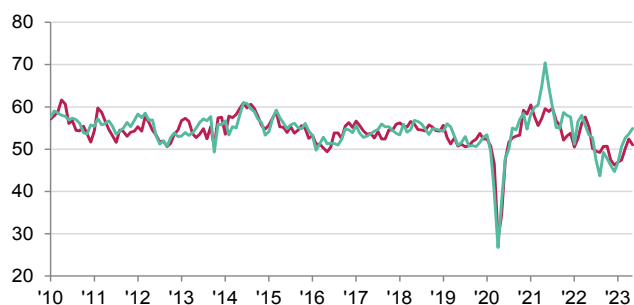


Sources: S&P Global, Bureau of Economic Analysis.

\*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

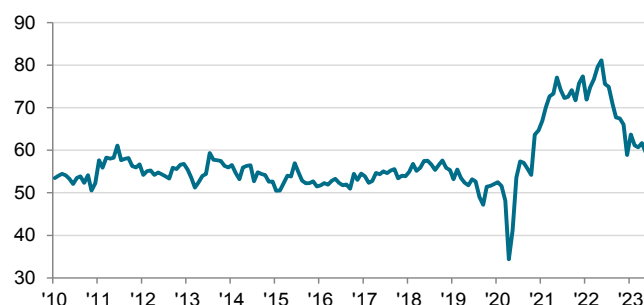
sa, >50 = growth since previous month



Source: S&P Global.

US Services PMI Input Prices Index

sa, >50 = inflation since previous month



Source: S&P Global.

**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@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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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. [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).

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