

# News Release

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## S&P Global US Services PMI™

### Business activity growth eases amid series-record rise in costs and softer demand conditions

#### Key findings

Output expansion softens amid slower growth in new business

Input prices rise at fastest pace on record

Sharp increase in employment

US service providers recorded another monthly expansion of business activity during May, according to the latest PMI™ data. That said, the rate of output growth eased to the softest for four months amid the slowest rise in new business since last September, as well as ongoing labor and supply constraints. Domestic and foreign client demand weakened in part due to hikes in selling prices and supplier delivery delays. Although output charges increased at a slower rate than April's survey high, the rise was marked overall and reflected soaring input prices, which increased at the sharpest pace on record.

Meanwhile, pressure on capacity continued to build as backlogs of work rose steeply again. In response, firms expanded their workforce numbers sharply. Firms were also more upbeat regarding the outlook for output over the coming year amid hopes of sustained new order growth.

The seasonally adjusted final S&P Global US Services PMI Business Activity Index registered 53.4 in May, down from 55.6 in April but broadly in line with the earlier released 'flash' estimate of 53.5. The latest index reading signalled a solid upturn in output across the service sector, albeit one that was the slowest since January. Anecdotal evidence stated that the rise in business activity was due to strong client demand and new customer wins. That said, the impact of inflation, labor availability and supply-chain disruption hampered growth momentum.

New business continued to increase in May, with client demand expanding solidly. However, growth was the slowest since last September. According to some firms, customer spending on services slowed as new client wins were often dampened by the impact of price hikes on demand.

At the same time, the increase in new export orders for services slowed from April's series-record rate of growth. The pace of expansion in foreign client demand was stronger than the series average, despite reports that inflation and

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



Source: S&P Global.  
Data were collected 12-26 May 2022.

#### Comment

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

"Alongside the slowing in the manufacturing sector, the cooling pace of expansion in the service sector takes the pace of US economic growth down to the weakest so far in the pandemic recovery with the sole exception of January's slowdown at the height of the Omicron wave. While the survey readings are consistent with GDP growing at an annualized rate of just under 2%, supporting the view that GDP will return to growth in the second quarter, it is worrying that growth momentum is being lost so quickly. Businesses report ongoing difficulties finding staff and sourcing raw materials, while demand growth measured by inflows of new orders for goods and services is expanding at the slowest rate for almost one-and-a-half years, as spending power is reduced by soaring inflation.

"The inflation surge meanwhile shows no signs of abating, with firms' costs soaring higher at yet another survey record rate in May, reflecting rising energy, materials and staff costs."

PMI™

by S&P Global

global uncertainty weighed on the upturn.

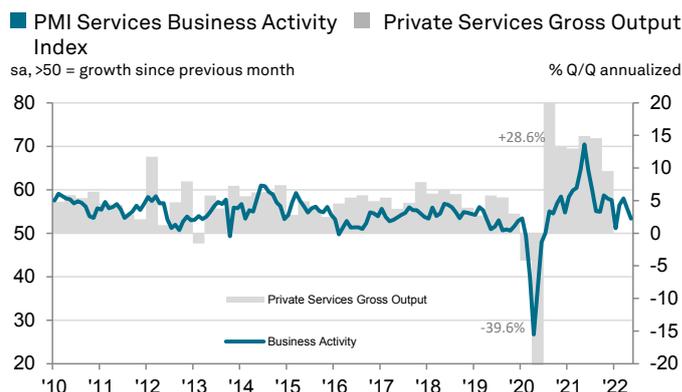
Meanwhile, inflationary pressures remained historically elevated in May. The rate of increase in cost burdens accelerated again to reach a new series high. Panellists stated that greater input prices stemmed from hikes in fuel, energy and supplier costs, alongside increased wage bills.

Service providers passed on higher costs to their clients through another marked monthly uptick in output charges during May. That said, the rate of selling price inflation slowed from April's record pace as a limited number of firms mentioned concessions made to customers.

Despite a slower rise in new business, backlogs of work increased at a strong pace midway through the second quarter. Although the rate of growth softened from March's record rise in outstanding business, it was among the fastest in the series history.

Partially easing pressure on capacity was a sharp expansion in employment during May. The rate of job creation was broadly in line with April's recent high, with firms noting the filling of long-held vacancies and greater staffing numbers in response to new order inflows. However, hiring activity at some firms was constrained by ongoing staff shortages.

Finally, services firms remained upbeat regarding the outlook for output over the coming 12 months. The degree of confidence picked up from that seen in April and was strong overall. Optimism was driven by hopes of sustained increases in new business and greater hiring opportunities.



## S&P Global US Composite PMI™

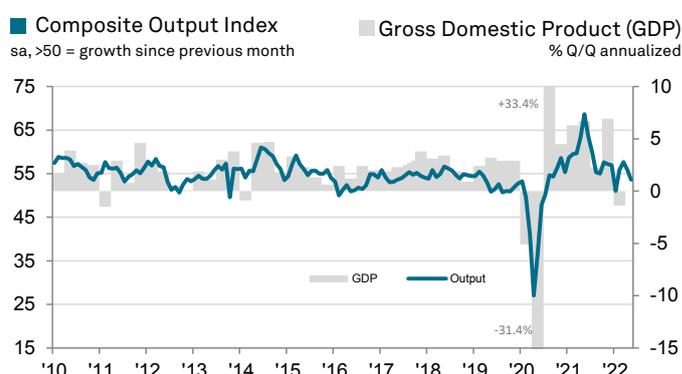
### Slowest rise in private sector business activity for four months in May

The S&P Global US Composite PMI Output Index\* posted 53.6 in May, down from 56.0 in April, to signal a solid but slower upturn in private sector business activity. The softer rise in output reflected slower increases in the manufacturing and service sectors, amid hikes in selling prices and supply-chain disruption.

New business rose at a strong, but slower pace. The rise in new orders was the joint-softest since September 2020. Foreign client demand growth also eased, with new business from abroad increasing at the weakest rate since January.

Inflationary pressures remained marked in May, as the rate of increase in cost burdens accelerated again. Although the pace of input price inflation quickened to a series high, there was evidence of a hesitancy to completely pass higher costs on, as output charges rose at a softer pace.

Backlogs of work continued to expand sharply, however, as firms stepped up their hiring activity in response. The rise in employment reflected the filling of long-held vacancies and expansion in capacity across the private sector.



\*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.

■ Manufacturing PMI Output Index  
 ■ Services PMI Business Activity 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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