# News Release

Embargoed until 0945 EST (1445 UTC) 05 December 2023

# S&P Global US Services PMI®

## Renewed upturn in new business supports output growth in November

### Key findings

Slight expansions in new orders and activity

Employment growth slows to fractional rate

Cost inflation weakest since October 2020

US service sector firms signalled further growth in November as output and new business expanded, according to the latest PMI® data from S&P Global. The upturn in business activity was supported by a renewed increase in new orders, albeit only marginal. Customer demand strengthened on the month, as new business from abroad also ticked up, but was relatively subdued in the context of historic data. Expectations for output over the coming year were down to the joint-lowest in 2023 to date and employment rose only fractionally. Workforce numbers increased to the smallest extent for over a year, with backlogs falling at a quicker pace, amid reports of burgeoning spare capacity.

Meanwhile, service providers hiked charges at a quicker rate, but input cost inflation eased to the slowest in over three years.

The seasonally adjusted final S&P Global US Services PMI Business Activity Index posted 50.8 in November, matching the earlier released 'flash' estimate and little-changed from October's reading of 50.6. The latest data signalled the fastest expansion in output since July, albeit only marginal and slower than the long-run series average. Greater business activity was often linked to stronger client demand and a renewed upturn in new orders.

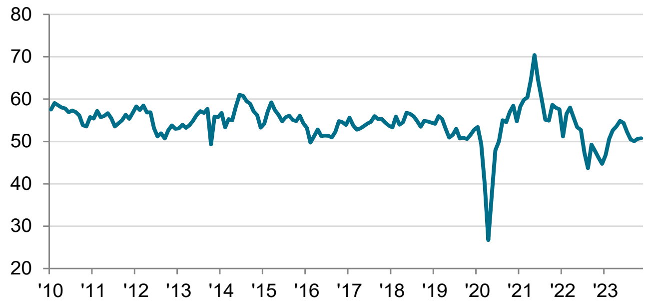
Service sector firms recorded a return to growth in new business in November, following a three-month period of decline. The upturn was only slight overall and historically muted, but firms attributed the rise to an improvement in demand conditions and successful marketing campaigns.

Contributing to the rise in total new orders was a second consecutive monthly uptick in new business from abroad. Stronger demand from key export partners in North America and Europe reportedly drove the expansion.

Relatively subdued demand conditions led firms to rein in hiring activity during November. Employment rose at the weakest pace since October 2022, and only fractionally.

S&P Global US Services Business Activity Index

sa, >50 = growth since previous month




Data were collected 08-29 November 2023.
Source: S&P Global PMI.

### Comment

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

*"The latest PMI data point to a further cooling of inflation pressures, but the surveys also signal only modest economic growth and near-stagnant employment, with the risk of the expansion losing further momentum as we head towards 2024.*

*"While service sector businesses continued to report further output gains in November, growth remains considerably weaker than seen earlier in the year, and forward-looking indicators point to growth slowing in the months ahead.*

*"Firms providing both goods and services have become increasingly concerned about excessive staffing levels in the face of weakened demand, resulting in the smallest overall jobs gain recorded by the survey since the early pandemic lockdowns of 2020.*

*"The cooling jobs market has been accompanied by lower wage growth which, combined with recent oil price falls, helped pull business cost growth down to its lowest for three years, dropping in November to a level indicative of inflation approaching the Fed's 2% target in the coming months."*

PMI® by S&P Global

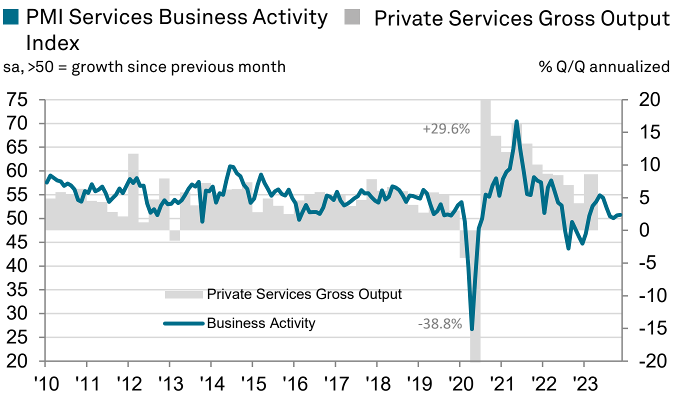
Some firms noted that greater new orders spurred growth in staffing numbers, but others highlighted that cost-cutting initiatives and evidence of spare capacity led to the non-replacement of voluntary leavers.

Services firms reported a sustained decrease in backlogs of work during November, as incomplete business fell for a fifth successive month. The rate of contraction quickened from October to a solid pace, as companies were able to process incoming work in a timely manner.

Cost pressures weakened for the third month running in November, as the pace of input price inflation dropped to the slowest in over three years. The rate of increase was below the long-run series average, as some companies noted that lower fuel and supplier prices had eased inflationary pressures. Upticks continued to be driven by higher wage, food and transportation costs, however.

Although business expenses rose at a softer pace, firms increased their selling prices at a quicker rate midway through the fourth quarter. The pace of inflation was the fastest since July and above the series trend, as companies sought to pass through higher costs to customers.

Finally, concerns regarding the sustainability of demand amid strain on customer purchasing power dampened business confidence in November. Service providers remained upbeat that output would increase over the coming year, but the degree of optimism slipped to the joint-lowest in 2023 to date.




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

# S&P Global US Composite PMI®

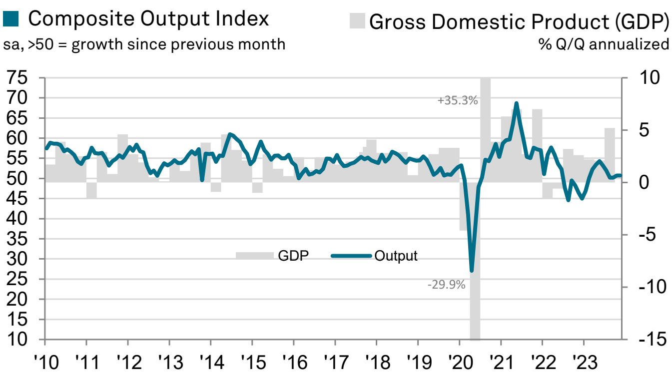
## Marginal expansion in private sector output as new orders return to growth

At 50.7 in November, the final S&P Global US Composite PMI Output Index* was unchanged from October, and signalled a marginal upturn in business activity. The expansion reflected growth at manufacturers and service providers, albeit only slight.

Despite a renewed contraction in manufacturing new orders, a return to growth in the service sector drove the latest rise in new business, ending a three-month sequence of decline. Supporting the rise in new orders was a broad-based increase in new export business.

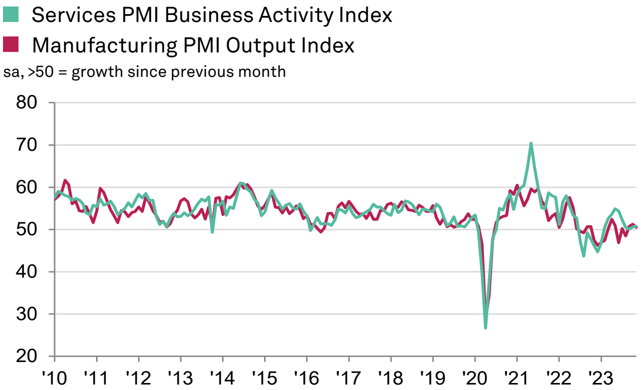
Cost pressures across the private sector eased in November, as input prices rose at the slowest pace in over three years. Although muted demand conditions in the manufacturing sector led to a moderation in charge inflation, overall output prices increased at a sharper pace as service providers hiked selling prices at a steeper rate.

Meanwhile, a further decline in manufacturing employment and only a fractional rise in service sector headcounts led to broadly unchanged workforce numbers. The Composite Employment Index posted its lowest reading since June 2020.

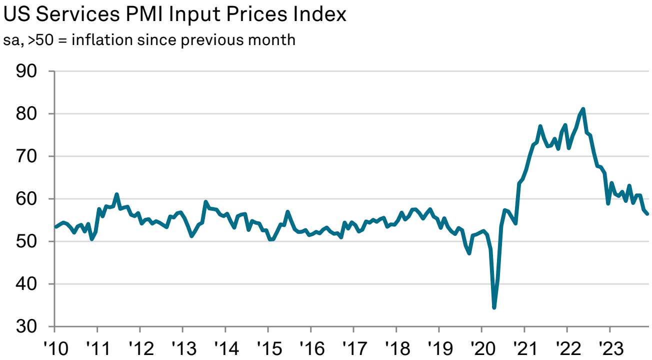



Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence.

*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.




Source: S&P Global PMI.




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.

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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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