

# News Release

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

### US service sector reports sustained expansion in February

#### Key findings

Output grows at second fastest-rate in past seven months

Cost pressures ease but selling prices rise at faster pace

Employment growth dips amid cautious outlook

US service providers signalled a further solid performance during February, according to the latest PMI<sup>®</sup> data from S&P Global. Output rose for a thirteenth successive month, the rate of growth falling only slightly from January's seven-month high. New business inflows have now risen for four straight months. Total new order growth nonetheless slipped to the weakest in three months, as new business from abroad dipped back into contraction territory. Pressure on capacity dissipated as backlogs of work fell, aided by a further rise in employment. Business confidence dropped to the lowest since last November, however, slipping below the survey's long-run average.

On the price front, the rate of input cost inflation eased again to the slowest since October 2020. Companies sought to pass higher costs on to customers, causing selling prices to rise at a sharper pace, albeit still one of the lowest since early-2020.

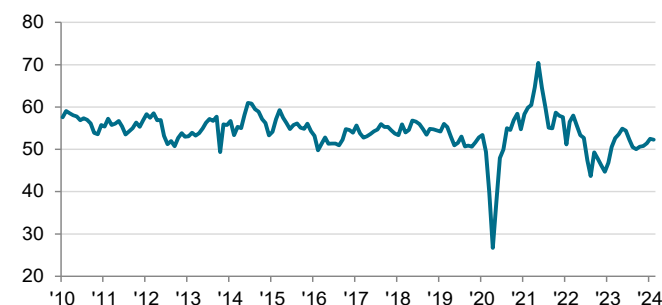
The seasonally adjusted final S&P Global US Services PMI Business Activity Index posted 52.3 in February, down slightly from 52.5 in January but up from the earlier released 'flash' estimate of 51.3. The latest expansion extended the current sequence of growth to just over a year and was the second-fastest since last July.

Panellists stated that greater output was due to a further rise in new business. February data indicated a sustained rise in sales volumes at service providers, as new orders expanded for the fourth month running. The rate of growth eased to the weakest in three months, however, as companies suggested that reduced purchasing power at some customers dampened demand conditions.

Growth in total sales was led by domestic demand, as foreign customer interest dwindled and drove a renewed fall in new export orders in February. Moreover, the pace of export decline was the quickest since September 2023.

S&P Global US Services Business Activity Index

sa, >50 = growth since previous month



Data were collected 12-27 February 2024.  
Source: S&P Global PMI.

#### Comment

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

"A further robust expansion of service sector activity in February follows news of faster manufacturing output growth. The goods and services producing sectors are collectively reporting the sharpest growth since last June, hinting at a further quarter of solid GDP growth.

"The acceleration occurred despite a cooling of growth in financial services, linked to the recent pull-back in rate cut expectations. Demand for consumer goods and services has, however, picked up further in February amid the easing of the cost of living crisis and healthy labor market conditions, meaning consumers are once again at the forefront of the economic expansion.

"A concern is that alongside this faster growth, the survey has seen price pressures revive. Although average prices are still rising at one of the slowest rates seen over the past four years, the rate of inflation picked up for goods and services alike in February to hint at some broad-based firming of price pressures that could worry policymakers about cutting interest rates too early."

PMI<sup>®</sup>

by S&P Global

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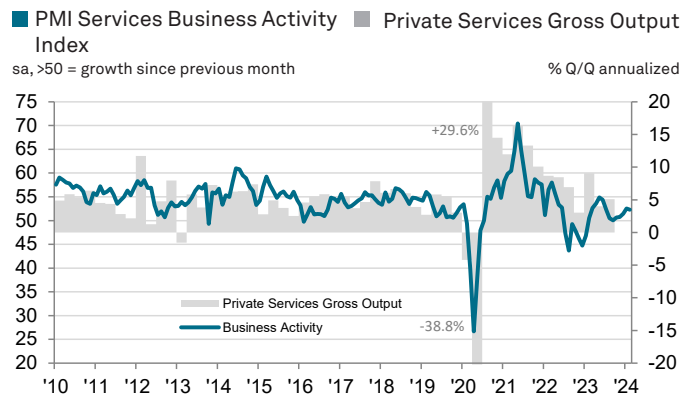
Meanwhile, service sector firms recorded a slower rise in input prices midway through the first quarter. Although companies attributed cost inflation to higher wage and fuel bills, many stated that lower prices for materials led to a moderation in the overall pace of increase. Furthermore, the rate of cost inflation eased to the weakest since October 2020 and was slower than the long-run series average.

In contrast, efforts to pass higher costs on to customers led to a sharper rise in selling prices in February. The pace of charge inflation was among the slowest in the current near four-year sequence of increase, but it was in line with the series' long-run average.

Service sector firms continued to hire additional workers during February. That said, anecdotal evidence suggested that hiring was focused on part-time and temporary staff amid cost-cutting initiatives which also hampered total job creation. The rate of employment growth slowed to the weakest since last November.

Firms were able to process incoming new business in a timely manner, as backlogs of work fell in February. Incomplete business declined for the seventh time in the last eight months, albeit at only a marginal pace.

Softer demand conditions also led to dampened expectations regarding activity over the coming year. Service sector firms recorded the lowest level of optimism for three months, and one that was historically muted. Weighing on business confidence were reports of reduced purchasing power at customers and efforts to cut costs.



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

## S&P Global US Composite PMI®

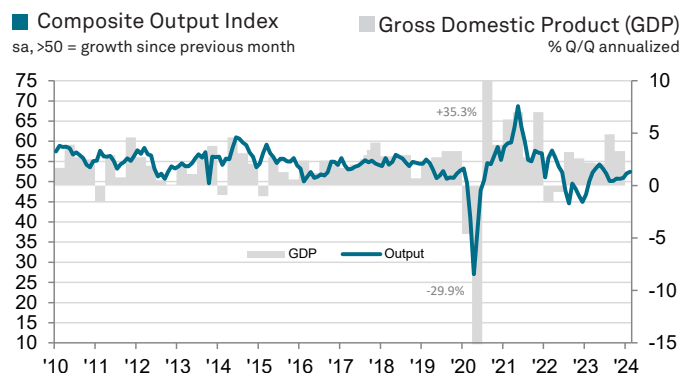
### Private sector output rises at fastest pace in eight months

The final S&P Global US Composite PMI Output Index\* posted 52.5 in February, up from 52.0 in January. The latest data signalled a thirteenth successive monthly expansion in business activity at private sector firms, supported by a renewed upturn in manufacturing production and further rise in service sector activity.

New order growth eased slightly, however, amid a softer increase in services new business in February. Nonetheless, the overall rate of expansion was the second-steepest since mid-2023. The overall upturn was aided by a renewed rise in new export orders for goods.

February data indicated a broad-based easing of cost pressures, as input prices rose at the slowest pace since October 2020. Firms sought to pass-through higher costs to customers, however, as selling price inflation quickened from January, albeit remaining the second-lowest since mid-2020.

Meanwhile, total employment growth remained only modest midway through the first quarter. Although manufacturers stepped up their hiring activity, service providers indicated a historically subdued pace of job creation amid cost-cutting initiatives and labor shortages.



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

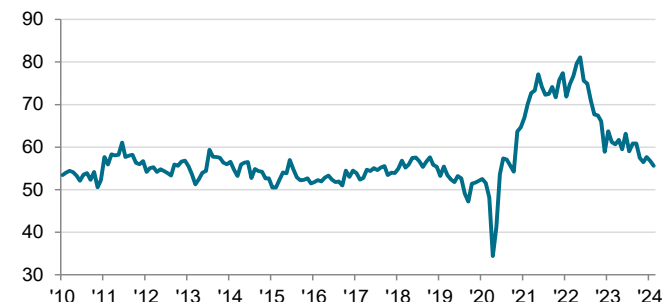
sa, >50 = growth since previous month



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

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