News Release
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S&P Global US Services PMI®

US service sector growth remains positive in August

Growth underpinned by further solid gain in new work

Payroll numbers increase for sixth successive month

Tariffs continue to underpin elevated input price inflation

The US service sector continued to expand in August, despite growth softening slightly since July.

A marked uptick in new business volumes helped to support the latest increase in activity, meaning service providers were also suitably encouraged to add to their payroll numbers. That was despite confidence in the outlook remaining relatively subdued and falling to its lowest level in four months amid ongoing worries over tariffs and associated uncertainty.

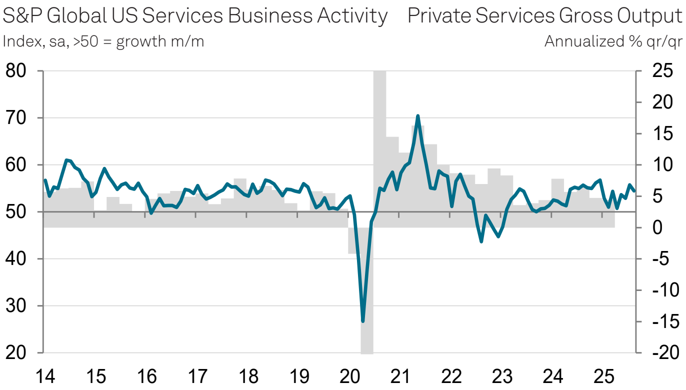
Alongside reports of higher employee costs, tariffs also served to push up service providers' operating expenses at an elevated pace. Selling prices were increased steeply in response.

The S&P Global US Services PMI® Business Activity Index posted 54.5 in August, down from 55.7 in July and the earlier 'flash' reading of 55.4 to signal slower, but nonetheless still marked, growth of US service sector output. Higher levels of business activity have now been recorded on a continuous monthly basis since February 2023. Moreover, August's index reading was the second highest of 2025 so far.

Underpinning the latest rise in activity were increased new business volumes. Like activity, growth was the second highest of the year to date. There were reports amongst service providers of a general uplift in demand, especially amongst those operating in financial services. Conversely, worries over tariffs and an uncertain business environment limited gains for consumer service providers whilst also weighing on international demand. New export business overall was down (albeit marginally) for a fifth successive month in August.

Further rises in overall activity and new business encouraged service providers to add to their payroll numbers, with latest data signaling an increase in staffing levels for a sixth month in a row. Growth was solid and comparable to the recent trend. Capacity pressures nonetheless remained evident, with backlogs of work again rising solidly in the latest survey period.

Service providers noted that payroll expenses helped to push up their overall operating costs in August. Tariffs were also frequently mentioned as a driver of inflation, with suppliers reported to be raising their charges accordingly. Latest data showed an ongoing pass through of these higher operating expenses to clients via an increase in selling prices. Although down a little since July, output price inflation remained elevated and amongst the steepest recorded by the survey in



Data were collected 12-27 August 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

"Although weaker than signaled by the preliminary 'flash' PMI reading, and below that seen in July, the expansion of the service sector in August was still the second strongest recorded so far this year. Together with a robust manufacturing PMI reading, the surveys are consistent with the US economy growing at a solid 2.4% annualized rate in the third quarter.

"Fuller order books, reflecting a summer upturn in customer demand, has meanwhile encouraged service providers to take on additional staff in increasing numbers, accompanied by a return to hiring in the manufacturing sector. While low household confidence is reportedly keeping spending on consumer services relatively subdued, demand for financial services is showing especially strong growth amid improving financial market conditions.

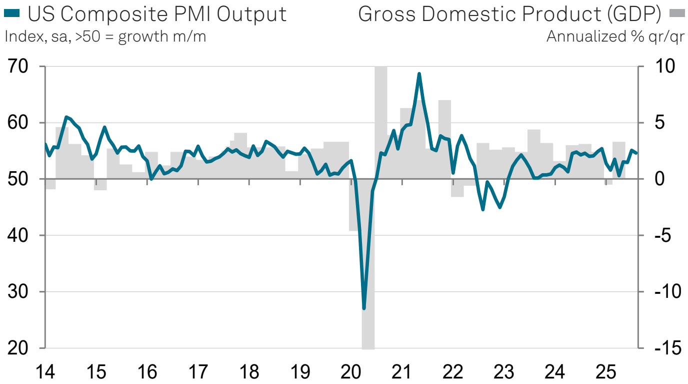
"However, the brighter news on current economic growth and hiring is marred by concerns over future growth prospects and inflation. Business optimism regarding the year ahead outlook has dropped to one of the lowest levels seen over the past three years amid escalating worries over the uncertainty and drop in demand caused by federal government policy, most notably tariffs, as well as the associated rise in price pressures. Inflation concerns have been fanned by a further steep rise in input costs which have fed through to another marked increase in average charges for services.

"The survey data therefore point to some downside risks to growth in the coming months while signaling upside risks to inflation, as import tariffs feed through to prices charged for both goods and services."

the past three years.

Inflation worries and ongoing uncertainty related to federal policies (again most notably around tariffs) served to weigh on business sentiment during August, with confidence about future activity down to a four-month low and amongst the weakest seen in the past three years.

That said, firms typically expect activity to rise from present levels over the next year. There are hopes amongst panelists that interest rates will fall, which should help to spur sales and demand. Planned marketing campaigns and expected new service releases should also support new business growth.



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

The S&P Global US Composite PMI® recorded 54.6 in August, down slightly on July's 55.1.

Slower growth primarily reflected a softening of US service sector expansion as, in contrast, manufacturing production rose to the greatest degree since May 2022.

Total new business volumes increased at the strongest rate of the year so far, and this translated into another solid round of employment growth. Price pressures remained elevated, despite easing slightly since July.

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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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