

S&P Global US Services PMI[®]

Growth picks up in March, but confidence in outlook remains subdued

Activity and new business growth both pick up...

...although sentiment about the future remains downbeat

Cost inflation up to 18-month high

Business activity growth in the US service sector picked up momentum in March, improving noticeably since February on the back of strengthening customer demand.

However, some worries over the impact of federal government policies, especially in relation to tariffs, meant confidence in the outlook fell to its second lowest since the end of 2022.

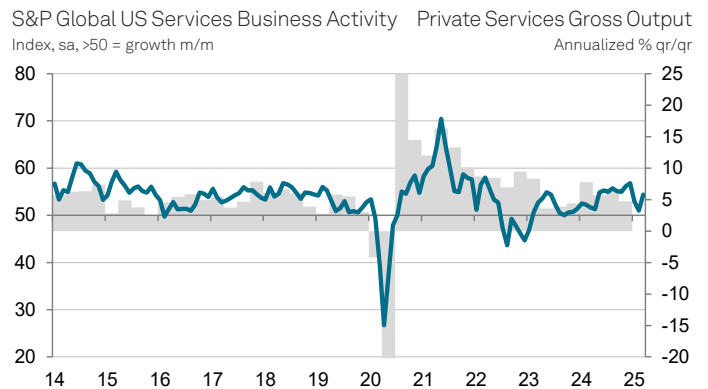
Jobs growth was also recorded, though only to a modest degree in the context of the survey history amid worries over rising costs. Operating expenses increased in March to the greatest degree in a year-and-a-half, largely attributed by panelists to the impact of tariffs. Competition however limited the ability of firms to pass on higher costs to clients via selling prices.

The S&P Global US Services PMI[®] Business Activity Index improved noticeably in March having slumped to a 15-month low during February. After accounting for seasonal factors, the index rose to 54.4, from 51.0 and the highest reading of 2025 so far. By remaining above the crucial 50.0 no-change mark in March, the index has signaled continuous monthly growth since February 2023.

Higher activity was principally linked to increased volumes of new work amid evidence of strengthened customer demand. Unseasonably warm weather was also noted to have supported an upturn in activity and sales. New business overall rose solidly and to a greater degree than in February, though growth remained slightly below trend and mainly domestic focused. Latest data showed that foreign sales rose only slightly in March (although this was an improvement on the declines seen at the start of the year).

Confidence in the outlook remained positive overall in March, linked to an expected improvement in economic conditions over the next year. Some firms pointed to the new administration's economic policies as likely being supportive to growth. However, reflective of the uncertainty in the outlook, concerns persisted over the effects of federal cost cutting initiatives, and in particular, the role of tariffs in raising prices and dampening overall demand. Subsequently, confidence edged lower in March and was, with the exception of last September when sentiment was impacted by uncertainty ahead of the Presidential election, the weakest since December 2022.

With some growth forecast, and new business volumes increasing, a net rise in employment was recorded during March. It was the third time in the past four months that staffing levels have risen, although the net increase was again



Data were collected 12-27 March 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

"March saw a welcome rebound in service sector business activity after a weak start to the year, with employment also returning to growth after a decline seen in February. However, the rate of expansion remains below that seen throughout the second half of last year. Combined with a weak manufacturing reading for March, the survey data point to GDP having risen at an annualized rate of just 1.5% in the first quarter, down sharply from the 2.4% rate seen at the end of last year.

"The focus turns to whether growth will also trend lower in the second quarter. In this respect, we note that some of the improvement in March reflected better weather, after adverse conditions dampened services activity in the first two months of the year at many companies. There's a suggestion, therefore, that the expansion in March may exaggerate the true underlying growth momentum in the economy.

"This gloomier picture is supported by the PMI's future activity index, which showed optimism edging lower again in March. Business sentiment is now the lowest since the end of 2022 barring only the heightened uncertainty seen ahead of last year's Presidential election.

"Companies report heightened concerns and uncertainty around the impact of political change, ranging from DOGE-related budget cutting to tariffs and the degree to which foreign demand may be affected by recent policy initiatives. Concerns have also risen in relation to costs, which rose in March at the fastest rate in nearly two years as firms across both services and manufacturing reported intensifying supplier-driven price hikes, fueled by tariffs."

only modest and below trend. Service providers signaled only mild capacity pressures as work outstanding was up only marginally following a solid reduction during February.

Labor expenses were reported as a factor driving up operating expenses during March. Vendors were also reported to have raised their charges, which was linked by panelists to tariffs. The net result was a third successive monthly acceleration of input price inflation to its highest in a year-and-a-half.

Service providers sought to pass on higher costs to clients via an increase in their own charges. But output price inflation, despite picking up since February, remained below trend in March. Competitive pressures and efforts to sustain demand served to limit output price inflation.

S&P Global US Composite PMI®

The S&P Global US Composite PMI Output Index rose to a year-to-date high of 53.5 in March. That was up from 51.6 in February, and indicative of solid growth of the private sector economy.

Overall new work continued to rise, while a net rise in overall employment was recorded in March, but growth was modest amid greater uncertainty in the outlook, reflected by a softening of confidence to its lowest level since last September.

March data meanwhile showed an intensification of price pressures, with costs rising to the greatest degree for nearly two years. In response, output charges increased solidly.

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.

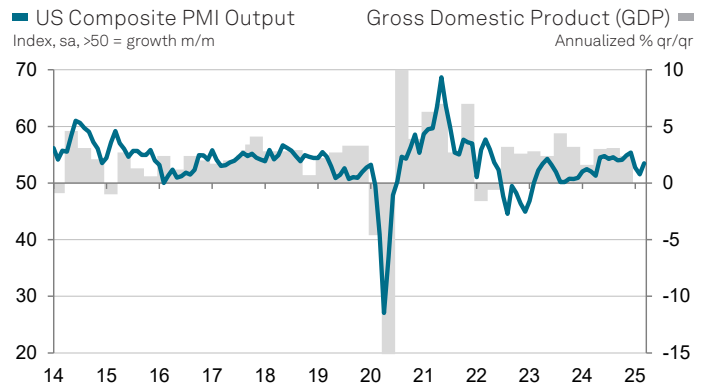
The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' 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.

PMI by S&P Global

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