News Release

Embargoed until 0945 EDT (1345 UTC) 05 August 2024

S&P Global US Services PMI®

Activity rises markedly again in July

Key findings

Increase in new orders feeds through to higher output

Second successive rise in employment

Sharp input cost inflation, but output prices rise at softer pace

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

Data were collected 11-29 July 2024.
Source: S&P Global PMI.

The US service sector began the second half of the year as it ended the first, seeing a marked expansion of business activity in July on the back of a rise in new orders. Growth of new business also encouraged firms to take on extra staff, as did positive expectations for the future.

Meanwhile, the rate of input cost inflation quickened, but companies increased their selling prices at a softer pace amid competitive pressures.

The seasonally adjusted S&P Global US Services PMI® Business Activity Index posted well above the 50.0 no-change mark again in July, dipping only slightly from 55.3 in June to 55.0. The reading signalled a marked monthly expansion in services activity, extending the current sequence of growth to 18 months.

Where output increased, companies often linked this to higher new orders. New business rose for the third consecutive month and at a solid pace, albeit with the rate of expansion easing slightly from that seen in June. According to respondents, customer referrals had played a role in them being able to secure new business during the month.

New business from abroad increased for the first time in six months, albeit only marginally and to a much lesser extent than total new orders.

Service providers remained optimistic that business activity will rise over the coming year, although confidence eased to an eight-month low. A greater focus on marketing and sales efforts is predicted to bear fruit. Meanwhile, a reduction in interest rates and an improvement in demand following the Presidential Election were also factors supporting confidence.

Positive projections for the coming year, allied with solid new order growth in the latest survey period, encouraged companies to take on additional staff as the second half of the year got underway. Employment increased for the second

Comment

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

"The PMI surveys bring encouraging news of a welcome combination of solid economic growth and cooler selling price inflation in July.

"Another strong expansion of business activity in the service sector, which over the past two months has enjoyed its best growth spell for over two years, contrasts with the deteriorating picture seen in the manufacturing sector, where output came close to stalling in July.

"While manufacturers are reporting reduced demand for goods, this in part reflects a further switching of spending from consumers towards services such as travel and recreation. However, healthcare and financial services are also reporting buoyant growth, fueling a wide divergence between the manufacturing and service economies.

"Thanks to the relatively larger size of the service sector, the July PMI surveys are indicative of the economy continuing to grow at the start of the third quarter at a rate comparable to GDP rising at a solid annualized 2.2% pace.

"A further cooling of selling price inflation in the service sector meanwhile brings encouraging news for the Fed. Combined with a near-stalling of price increases in the manufacturing sector, the latest survey data point to average prices charged for goods and services rising at a rate which is indicative of consumer price inflation moving closer to the 2% target. However, the surveys saw some upward pressures on costs, especially in the service sector, which policymakers will likely be eager to see soften before being confident of inflation falling sustainably to target."

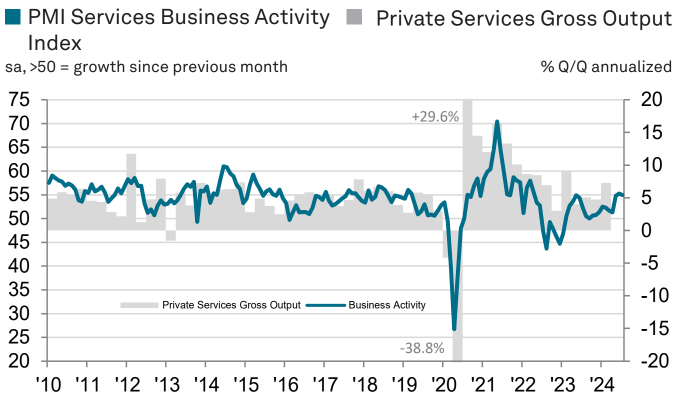
PMI® by S&P Global

month running, albeit modestly and to a lesser extent than in June.

The modest increase in employment was not sufficient to fully keep up with new order growth in July, resulting in a second consecutive monthly rise in backlogs of work. The rate of accumulation in outstanding business was only slight, however.

Service providers signalled a further sharp rise in input costs, with the rate of inflation quickening to a four-month high. The latest increase was also sharper than the series average. Respondents indicated that higher wage and transportation costs had been the main factors pushing up input prices.

While a number of companies responded to higher input costs by increasing their selling prices accordingly, there were other reports that competitive pressures led some firms to lower their charges. The rate of output price inflation was solid, but eased for the second month running to the slowest since January.



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

S&P Global US Composite PMI®

Output expands solidly at start of third quarter

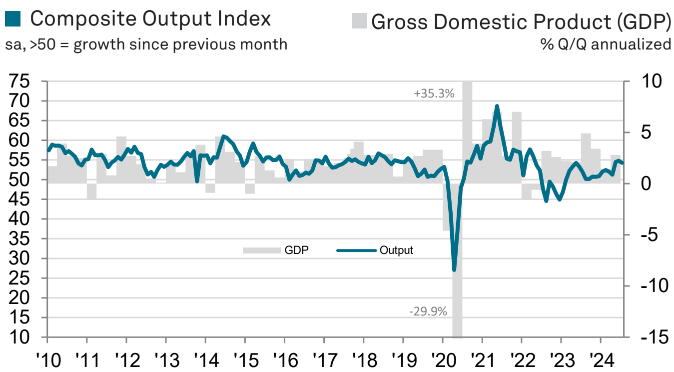
The S&P Global US Composite PMI Output Index* registered 54.3 in July, down slightly from 54.8 in June but still signaling a solid monthly expansion in private sector business activity in the US at the start of the third quarter of the year. Growth was led by the service sector, while manufacturing output rose only marginally.

New business also increased, as a rise in services outweighed a fall in manufacturing new orders. Meanwhile, new export orders ticked down again in July.

Private sector companies raised employment for the second month running, but backlogs of work continued to accumulate.

The rate of input cost inflation hit a four-month high, but the latest rise in charges was the softest since January amid slower increases in both manufacturing and services.

Business confidence ticked down, but companies remained optimistic that output will increase over the coming 12 months.



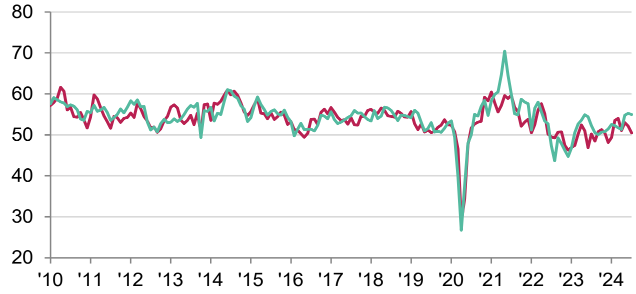
Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence.

*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

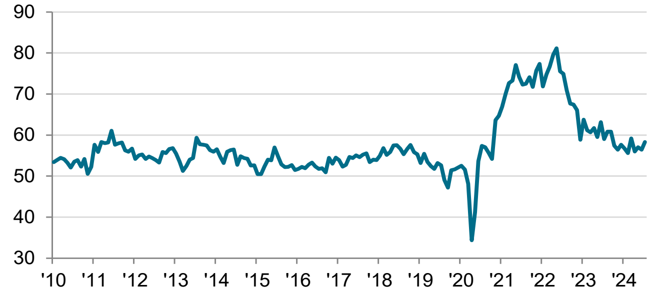
sa, >50 = growth since previous month



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.

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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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