

News Release

Embargoed until 0945 EDT (1345 UTC) 03 November 2023

S&P Global US Services PMI[®]

Stronger expansion in output, but demand remains fragile. Inflationary pressures at three-year low

Key findings

Greater employment supports faster upturn in activity

New orders continue to fall

Slowest rises in input prices and output charges for three years

US service providers signalled a marginal rise in business activity in October, with growth regaining some momentum following broadly unchanged output in September, according to the latest PMI[®] data from S&P Global. New orders fell again, albeit at a softer pace amid a renewed upturn in new business from abroad. Firms were hopeful of a pick up in demand conditions, however, as business confidence rose to the strongest in four months, encouraging service providers to expand their workforce numbers at a modest pace.

Meanwhile, a relatively subdued sales environment led to reports of discounting in an effort to drive new orders. Firms were better able to offer concessions amid a much slower rise in costs. Input prices and output charges increased at the weakest rates in three years.

The seasonally adjusted final S&P Global US Services PMI Business Activity Index posted 50.6 in October, up from 50.1 in September, but down slightly from the earlier 'flash' estimate of 50.9. The latest data signalled a marginal expansion in output at service sector firms, contrasting with a near-stagnation seen at the end of the third quarter. Greater activity was linked to some early signs of recovery in demand conditions, alongside increased capacity, according to panellists.

Nonetheless, a further contraction in new business hampered output growth in October. New orders fell for the third month running, albeit at only a slight pace. High interest rates and inflation reportedly dampened customer demand and reduced purchasing power.

At the same time, new export orders returned to growth, although only fractionally. The expansion of international customer bases reportedly spurred the slight rise in new business from abroad.

Inflationary pressures subsided in October, as service providers recorded slower increases in input costs and output charges. Higher business expenses were often linked

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



Data were collected 12-27 October 2023.
Source: S&P Global PMI.

Comment

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

"The PMI survey paints a far more subdued picture of US economic health than the latest bumper GDP numbers, with October seeing very muted growth of business activity for a third successive month. A summer-surge in service sector activity, fueled by rising consumer spending, has stalled. Manufacturing is meanwhile also struggling to regain momentum amid weak global demand. As such, the survey data are broadly consistent with GDP rising at an annual rate of around 1.5%."

"An upside to the weak demand environment is the further cooling of price pressures in October, which brings the Fed's 2% target into focus for the first time in three years."

"The brighter outlook for inflation and hopes of a commensurate peaking of interest rates have helped lift business confidence in year-ahead prospects, but new business inflows need to pick up in both services as well as manufacturing to ensure robust growth can be sustained as we head towards the end of the year."

PMI[™]

by S&P Global

© 2023 S&P Global

to greater salary, utility and supplier costs, but the overall pace of input price inflation eased to the weakest in three years.

Mirroring the trend for input costs, the rate of output charge inflation was broadly in line with its long-run series average, having cooled to the softest since October 2020. Firms continued to pass through higher costs where possible, but increasing requests for concessions and discounts from clients spurred the moderation.

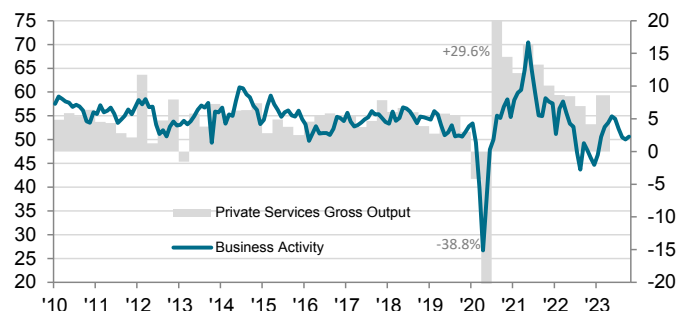
Despite muted demand conditions, firms raised their staffing numbers further at the start of the fourth quarter. The rate of job creation was modest overall, with hiring linked to anticipation of greater output. Some also noted an improvement in their ability to find suitable candidates.

Increased capacity allowed service providers to work through their outstanding business again in October. Backlogs of work were depleted for the fourth month running, albeit at a softer pace.

Finally, business confidence among service sector firms strengthened in October. Positive sentiment in the outlook for output reached the highest since June, as optimism reportedly stemmed from hopes of future interest rate cuts, stronger demand conditions and plans to release new service lines.

■ PMI Services Business Activity ■ Private Services Gross Output Index

sa, >50 = growth since previous month % Q/Q annualized



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

S&P Global US Composite PMI®

Fastest rise in output since July, but new orders fall further

The final S&P Global US Composite PMI Output Index* posted 50.7 in October, up from 50.2 in September, to signal a marginal rise in business activity at private sector firms. Manufacturers and service providers saw a quicker rise in output, despite fragile demand conditions.

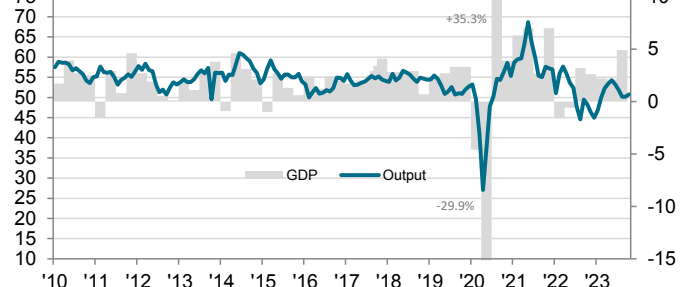
Aggregate new orders continued to decrease, as service sector demand waned. The overall rate of contraction eased, however, thanks to a renewed expansion in manufacturing new sales. Foreign demand remained muted, as new export orders fell further, led by declining goods exports.

Despite a sustained fall in outstanding business, firms continued to recruit new workers amid stronger output expectations for the year ahead. Job creation was centred on the service sector, as goods producers cut employment for the first time since July 2020.

Despite a strengthening of inflationary pressures at manufacturing firms, softer increases in costs and selling prices at service providers led to the weakest upticks in input prices and output charges in three years.

■ Composite Output Index ■ Gross Domestic Product (GDP)

sa, >50 = growth since previous month % Q/Q annualized

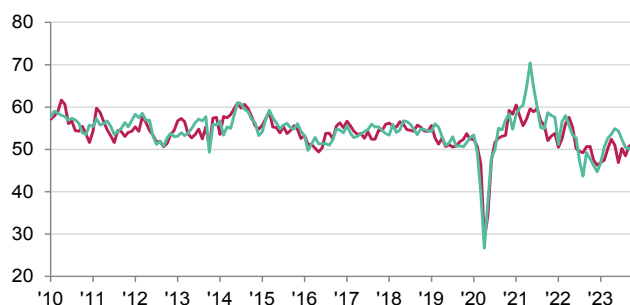


Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence.

*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

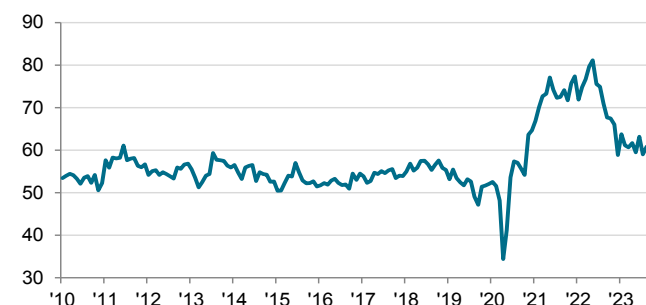
sa, >50 = growth since previous month



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.

About S&P Global

S&P Global (NYSE:SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

Contact

Chris Williamson
 Chief Business Economist
 S&P Global Market intelligence
 T: +44-20-7260-2329
chris.williamson@spglobal.com

Katherine Smith
 Corporate Communications
 S&P Global Market intelligence
 T: +1 (781) 301-9311
katherine.smith@spglobal.com

Siân Jones
 Principal Economist
 S&P Global Market Intelligence
 T: +44-1491-461-017
sian.jones@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).