News Release

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S&P Global US Services PMI®

Growth of activity sustained at end of first quarter

Key findings

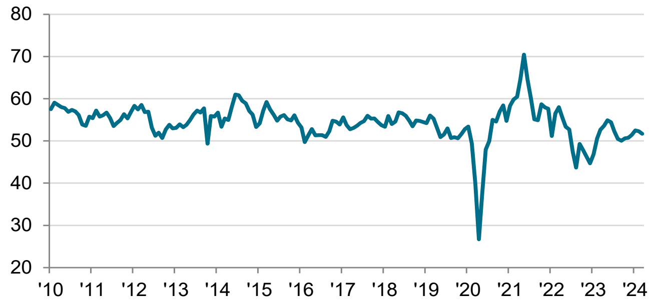
Further rises in output and new orders, but rates of growth ease

Pace of job creation moderates

Selling price inflation at eight-month high

S&P Global US Services Business Activity Index

sa, >50 = growth since previous month



Data were collected 12-26 March 2024.
Source: S&P Global PMI.

The US service sector remained in growth territory at the end of the opening quarter of the year as success in securing new business led companies to expand their output. Rates of expansion eased in both cases, however. Firms nevertheless continued to increase their staffing levels amid improved optimism about business prospects in the year ahead.

Both input costs and output prices increased sharply in March, often as a result of rising wages. In fact, the respective rates of inflation quickened to six- and eight-month highs to rise further above pre-pandemic averages.

The seasonally adjusted S&P Global US Services PMI® Business Activity Index ticked down to a three-month low of 51.7 in March from 52.3 in February. That said, the index remained above the 50.0 no-change mark and therefore signalled a rise in business activity for the fourteenth consecutive month.

The rate of growth in new orders also eased in March, to a modest pace that was the slowest since last November. Growth of total new orders was restricted by a second consecutive monthly fall in new business from abroad. The reduction in new export orders was only slight, but the most pronounced since September last year.

Those firms that saw total new orders increase often reported that successful advertising campaigns had helped to boost client interest. Some respondents also indicated that their customers had been more willing to commit to new projects during the month.

Marketing activity is also expected to help generate gains in sales volumes during the year ahead, supporting confidence in the 12-month outlook for business activity. The prospect of improving economic conditions was also behind the positive outlook as 42% of respondents predicted an increase in activity over the coming year. Sentiment was slightly stronger than in February.

Comment

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

"The US service sector reported a further rise in business activity in March, adding to signs that the economy enjoyed robust growth in the first quarter. Combined with an acceleration of growth in the manufacturing sector, the latest services PMI data point to GDP having risen at an approximate 2% annualized rate in the first three months of the year.

"Confidence in the outlook for the coming year has also lifted higher, which should help to sustain solid growth into the second quarter.

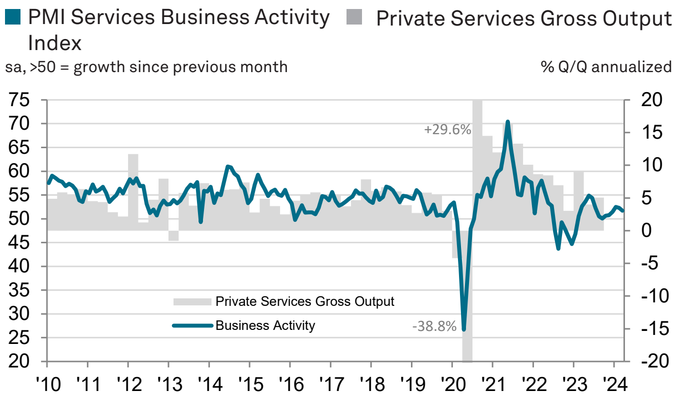
"The sustained upturn is being accompanied by renewed upward price pressures, however, with wage growth in particular driving costs higher. Rising raw material and fuel prices are also adding to cost burdens, which is in turn driving average selling prices for goods and services higher at a rate not seen since July of last year. Both manufacturers and services providers alike are seeing intensifying cost and selling price inflation rates, which is likely to feed through to higher consumer price inflation in the near term."

Softer growth of new orders meant that firms were able to work through outstanding business again in March. Backlogs of work have now decreased in eight of the past nine months. The latest fall was modest, but slightly faster than in the previous month.

Service providers continued to expand their staffing levels in response to higher new business volumes, the forty-fifth successive month of job creation. The latest increase was only slight, however, and the weakest since last November. Some companies indicated that cost considerations had led them to hold off on hiring.

In fact, higher wages were a key factor behind the latest increase in input costs, according to respondents. Panellists also reported rises in transportation and material prices. As a result, input costs increased sharply during the month, with the rate of inflation accelerating to a six-month high. The latest rise was also sharper than the series average as 23% of companies recorded inflation over the month.

In turn, the pace of output price inflation also quickened markedly from that seen in February to the fastest since July 2023 as companies passed higher input costs through to their customers. As with input prices, the rise in charges was also faster than the average since the survey began in 2009.



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

S&P Global US Composite PMI®

Further solid expansion of output in March

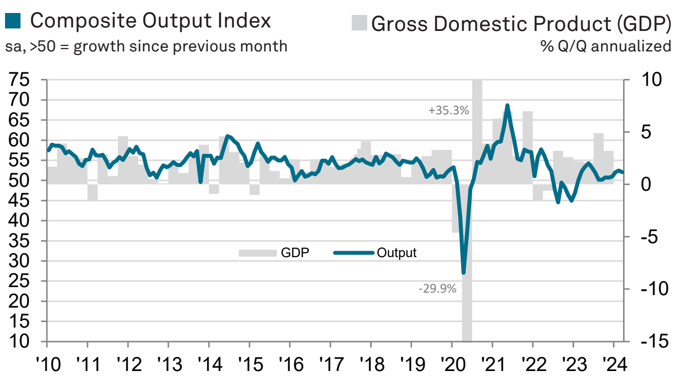
Looking at business trends across the combined manufacturing and service sectors, the S&P Global US Composite PMI Output Index* registered 52.1 in March, down marginally from 52.5 in February but still pointing to a solid monthly increase in overall business activity. Manufacturing production rose at the fastest pace in almost two years, but growth of services activity waned.

New orders across both sectors combined increased modestly and at a softer pace than in February, with the rate of expansion in overall new business held back by a lack of growth in exports. New business from abroad was unchanged in March.

Employment continued to rise, helping firms to reduce their backlogs of work.

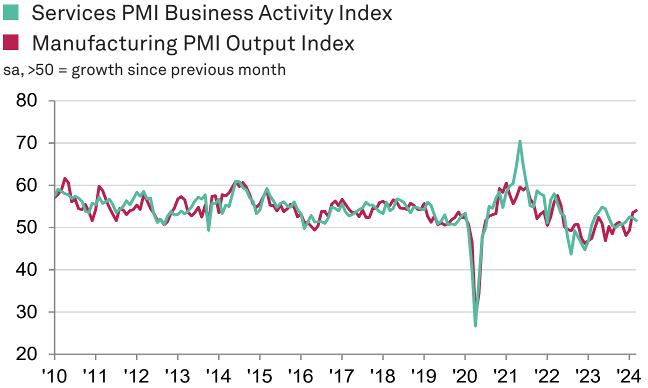
Rates of both input cost and output price inflation quickened, and were at six- and ten-month highs respectively. Sharper price rises were seen in both monitored sectors.

Finally, business confidence picked up from the previous survey period and was in line with the series average.

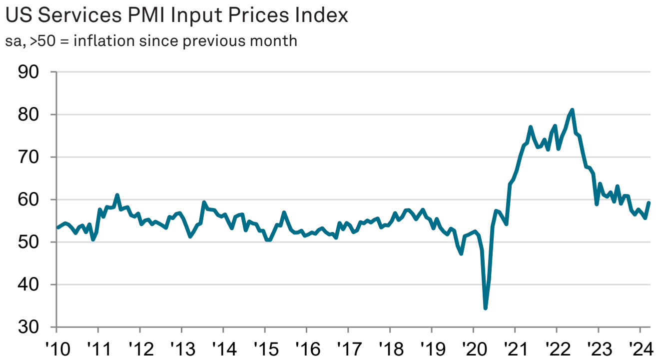


Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence.

*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.



Source: S&P Global PMI.



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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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

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