

# News Release

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## S&P Global US Services PMI<sup>®</sup>

### Sharp rise in business activity as new orders return to growth

#### Key findings

Output growth hits one-year high

Renewed increase in new orders

Staffing levels continue to fall

A return to growth of new orders spurred US service providers to increase their business activity at a much faster pace midway through the second quarter of 2024. Less positive was a second successive reduction in employment as firms remained reluctant to replace departing staff.

Higher wages for existing workers, meanwhile, was the key driver of a further sharp increase in input costs, with the rate of inflation quickening from that seen in April. In turn, charges also rose at a faster pace.

The seasonally adjusted S&P Global US Services PMI<sup>®</sup> Business Activity Index rose to a one-year high of 54.8 in May, up sharply from a reading of 51.3 in April. The index pointed to a marked expansion of services activity during the month. Output has now increased in each of the past 16 months.

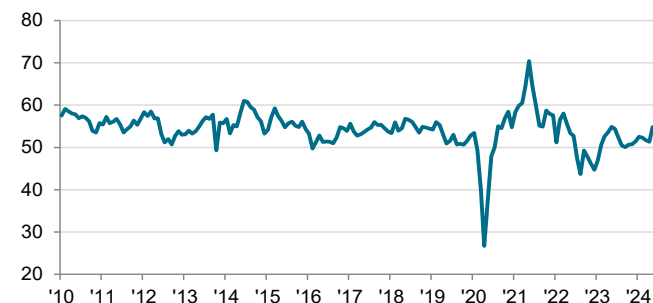
The increase in business activity reflected a renewed expansion of new orders, which rose modestly in May following a first reduction in six months during April. Some respondents to the survey indicated that marketing activity had helped them to secure new business, while others pointed to improvements in economic conditions.

In contrast to the picture for overall new business, however, new export orders decreased for the fourth month running in May. Panellists reported that price rises had impacted external demand. Moreover, the pace of decline was solid and the fastest since January 2023.

Despite the pick-up in total new orders, service providers continued to lower their staffing levels in May, the second month running in which this has been the case. The drop in workforce numbers often reflected the non-replacement of leavers. The pace of job cuts was only slight, however, and weaker than that seen in April as some firms looked to hire staff in response to renewed growth of new orders.

Companies were still able to keep on top of workloads, as shown by a fourth consecutive fall in backlogs of work. That

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



Data were collected 10-29 May 2024.  
Source: S&P Global PMI.

#### Comment

Andrew Harker, Economics Director at S&P Global Market Intelligence, said:

*"A return to growth of new business following April's blip supported a marked strengthening of growth in the US service sector in May. Coming on the back of a similar acceleration in the manufacturing sector, the data suggest a healthy pace of expansion in the US private sector approaching the midway point of the year."*

*"It was not all positive in May, however, with services employment down for the second month running as firms wait to see whether the renewed rise in new business will be sustained before committing to new hires."*

*"Despite lower employment, wage pressures remained a key factor pushing up input costs, which increased sharply again in May and prompted a faster increase in selling prices, providing further evidence that inflation remains sticky."*

PMI<sup>®</sup>

by S&P Global

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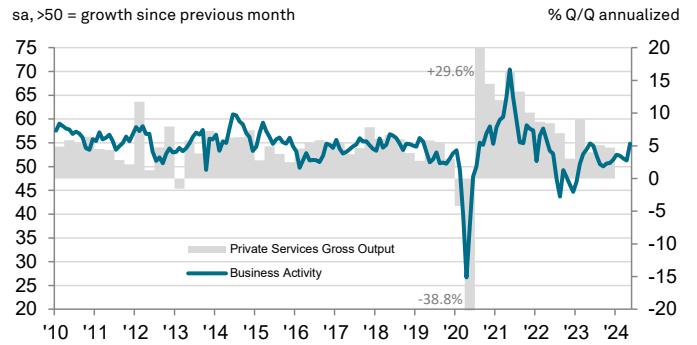
said, the latest reduction in outstanding business was only marginal and the weakest in the current sequence as higher new orders imparted some pressure on capacity.

While employment decreased further in May, higher staff costs were again the key factor behind a sharp rise in overall input prices as wages were increased. The pace of input cost inflation quickened from April and was sharper than the pre-pandemic average. Panellists also reported higher shipping costs.

Likewise, a faster increase in selling prices was recorded in May. Firms raised their charges at a solid pace, extending the current sequence of inflation to four years.

Signs of demand improving was a factor behind a slight strengthening of business confidence, which nonetheless remained softer than the series average. Other factors set to support growth of business activity over the coming year are planned marketing efforts, plus hopes for a softening of inflation and reduction in interest rates.

■ PMI Services Business Activity ■ Private Services Gross Output Index



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

## S&P Global US Composite PMI®

### Output rises at fastest pace in just over two years

Looking at business trends across the combined manufacturing and service sectors, the S&P Global US Composite PMI Output Index\* rose to 54.5 in May, up sharply from 51.3 in April. The index signaled a marked monthly increase in business activity, and one that was the strongest since April 2022. Growth accelerated across both the manufacturing and service sectors.

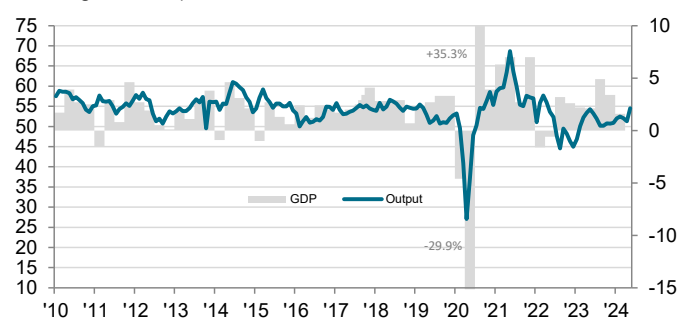
Companies increased output amid a renewed rise in new orders, following a slight fall in April. New export business also expanded, albeit marginally.

Meanwhile, employment was broadly unchanged as a solid increase in manufacturing was cancelled out by lower staffing levels in services.

Input costs continued to rise sharply, with the rate of inflation quickening in May. Selling price inflation also accelerated.

Finally, business confidence improved slightly from the previous month as companies remained optimistic that output will increase over the coming year.

■ Composite Output Index ■ Gross Domestic Product (GDP)



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

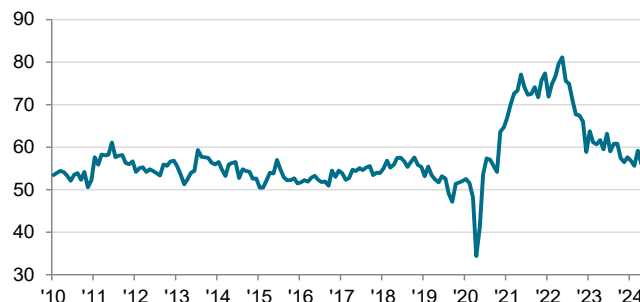
sa, >50 = growth since previous month



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](mailto:economics@spglobal.com).

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