News Release

Embargoed until 0945 EST (1445 UTC) 05 December 2022

S&P Global US Services PMI™

Business activity contraction gains pace as demand conditions weaken in November

Key findings

Quicker fall in new orders weighs on service sector output

Slowest rise in cost burdens since December 2020...

...with selling price inflation softening again

November data signalled a faster contraction in business activity across the US service sector, according to the latest PMI™ data. The fall in output was the solid overall and the second-sharpest since May 2020. Contributing to the decline was a steeper decrease in new orders, as domestic and foreign client demand remained weak. Efforts to entice customer spending were reflected in the slowest rise in output charges since October 2020. Softer upticks in selling prices followed easing cost pressures, as input prices increased at the slowest rate in almost two years.

Subdued client demand led to a strong decline in backlogs of work, with concerns for future new order inflows driving below-average levels of business confidence. Nonetheless, efforts to fill long-held vacancies saw employment rise marginally.

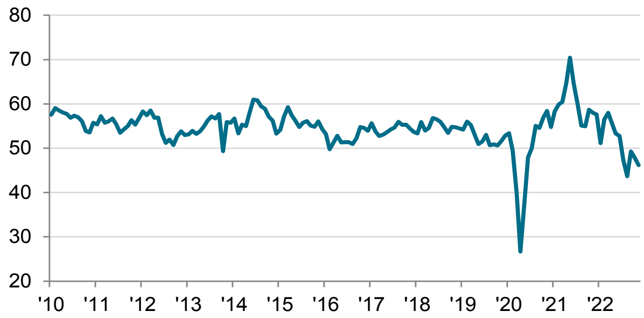
The seasonally adjusted final S&P Global US Services PMI Business Activity Index registered 46.2 in November, down from 47.8 in October but broadly in line with the earlier released 'flash' estimate of 46.1. The latest headline figure indicated a solid decrease in output at service providers. The fall in business activity was largely linked to lower new orders and subdued client demand. The rate of contraction was the fastest since August and among the sharpest on record (since October 2009).

Driving the decrease in service sector output were declines in domestic and foreign client demand in November. Total new business fell at a solid pace that was the fastest since May 2020, as inflation and higher interest rates put pressure on customer spending and drove client hesitancy.

At the same time, new export orders contracted for the sixth month running and at a steeper pace. The downturn in foreign client demand was the quickest in two-and-a-half years, as economic conditions in key export markets remained challenging.

S&P Global US Services Business Activity Index

sa, >50 = growth since previous month



Data were collected 11-25 November 2022.

Source: S&P Global.

Comment

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

"The survey data are providing a timely signal that the health of the US economy is deteriorating at a marked rate, with malaise spreading across the economy to encompass both manufacturing and services in November. The survey data are broadly consistent with the US economy contracting in the fourth quarter at an annualized rate of approximately 1%, with the decline gathering momentum as we head towards the end of the year.

"There are some small pockets of resilience, notably in the tech and healthcare sectors, but other sectors are reporting falling output amid the rising cost of living, higher interest rates, weaker global demand and reduced confidence. Struggling most of all is the financial services sector, though consumer facing service providers are also seeing a steep fall in demand as households tighten their budgets.

"A striking development is the extent to which companies are increasingly reporting a shift towards discounting in order to help stimulate sales, which augurs well for inflation to continue to retrench in the coming months, potentially quite significantly."

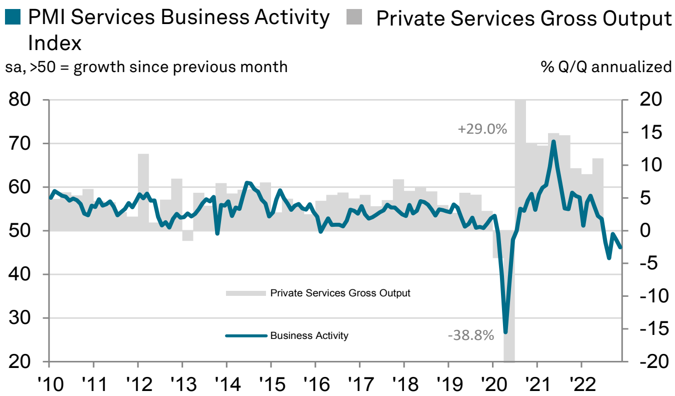
On the price front, cost pressures softened again midway through the fourth quarter. The rate of input price inflation eased to the slowest since the end of 2020 as firms noted a reduction in some input costs. Nonetheless, cost burdens continued to be driven up by higher supplier and wage bills.

Although firms remained keen to pass on higher costs to clients through a further hike in selling prices during November, the pace of increase moderated. Output charges increased at the softest rate for just over two years as some companies offered discounts to customers in an effort to spur on new sales.

Service providers recorded a second successive monthly decline in backlogs of work in November. The rate of contraction quickened to the joint-fastest since May 2020. Lower levels of unfinished business reportedly stemmed from a further reduction in new orders, which allowed firms to deal with backlogs.

Despite a reduction in pressure on capacity, firms continued to hire midway through the fourth quarter. Nonetheless, where job creation was noted, firms largely attributed this to the filling of long-held vacancies. The uptick in staffing numbers was only marginal and the second-slowest since September 2020.

Hopes of greater client demand and lower rates of inflation over the coming year supported an improvement in business expectations in November. The degree of confidence was below the series trend, however, as firms remained concerned regarding cost pressures, the economic outlook, rising interest rates and customer hesitancy.



Sources: S&P Global, Bureau of Economic Analysis.

S&P Global US Composite PMI™

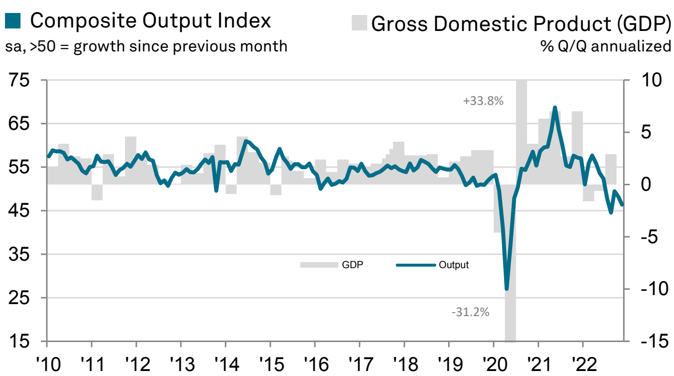
Private sector output contracts at faster rate amid renewed fall in manufacturing production

The S&P Global US Composite PMI Output Index* posted 46.4 in November, down from 48.2 in October to signal a solid decline in private sector business activity. The fall in output was driven by a faster decrease in service sector activity and a renewed downturn in manufacturing production.

At the same time, private sector client demand weakened during November, as manufacturers and service providers recorded faster declines in new orders. New business from abroad also fell further and at a strong pace.

In line with reports of reduced prices for some key inputs, private sector cost pressures softened. Cost burdens rose at the slowest pace since the end of 2020. Meanwhile, discounts and concessions aimed at driving new sales led to the softest uptick in output charges for over two years.

Despite a sharper decline in backlogs of work during November, private sector firms registered another monthly rise in employment. Nonetheless, hiring was largely linked to the filling of long-held vacancies following previous challenges finding suitable candidates.



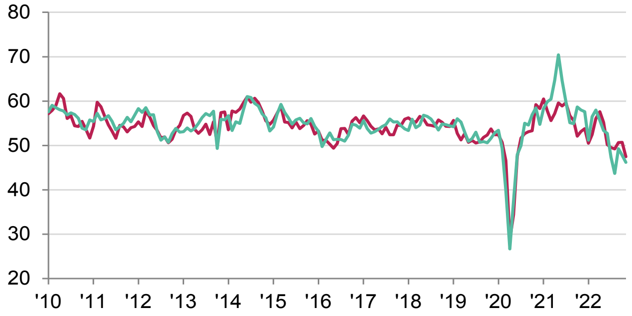
Sources: S&P Global, Bureau of Economic Analysis.

*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

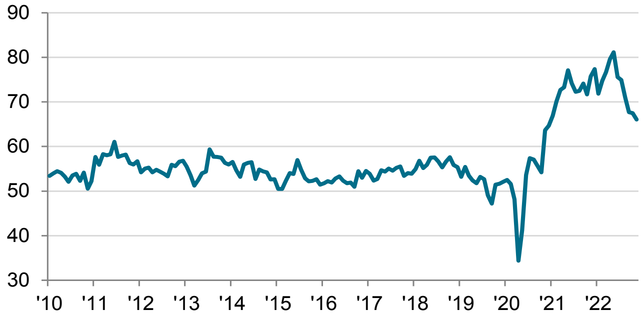
sa, >50 = growth since previous month



Source: S&P Global.

US Services PMI Input Prices Index

sa, >50 = inflation since previous month



Source: S&P Global.

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@ihsmarkit.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. ihsmarkit.com/products/pmi.html.

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
Senior 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.

PMI™ by S&P Global