

S&P Global US Services PMI[®]

Growth of service sector strengthens in May amid uplift in confidence

Firmer gains in activity and new work recorded
Sentiment improves but still below trend
Price pressures intensify due to tariffs

Concurrent upturns in US service sector activity and new business growth were signaled in May, according to the latest PMI[®] data from S&P Global.

Confidence in the outlook also strengthened, whilst firms took on additional staff to a greater degree. However, growth in employment was insufficient to prevent a solid rise in work outstanding.

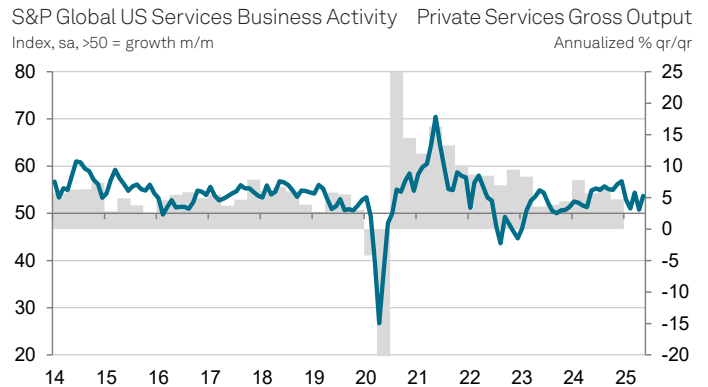
Rising backlogs in part reflected delays in the delivery of ordered equipment due to tariffs, which also drove up cost inflation to its highest in nearly two years. Increased costs were passed on to clients via the steepest increase in output charges since August 2022.

The S&P Global US Services PMI[®] Business Activity Index recorded 53.7 during May, which was stronger than the earlier 'flash' reading of 52.3. The index was also up on April's 50.8 and, being comfortably above the critical 50.0 no-change mark, was indicative of a noticeable acceleration of activity growth on April's 17-month low. Moreover, activity has now risen on a consecutive monthly basis since February 2023.

Panelists linked May's upturn in activity to a similar sized increase in new work. There were reports from survey panelists of a more stable business environment compared to April, which helped to drive a rise in client spending. This was however broadly limited to domestic-based customers as foreign sales declined overall for a second successive month. Panelists attributed lower new foreign business to ongoing worries among international clients in relation to tariffs and US trade policy.

A more stable business environment and hopes this will be sustained in the months ahead helped to support an upturn in service sector confidence during May. Overall, sentiment was at its highest for four months (though remained well below the survey average). Panelists are also planning to raise their marketing and expand their business facilities over the coming year.

A more positive outlook, plus a rise in current workloads, helped to support a further upturn in employment during May, the third in as many months. Growth was modest however amid reports in some instances of the non-replacement of leavers. Moreover, the rise in staffing levels was insufficient to prevent the steepest increase in work outstanding since last November. Some firms pointed to delays in the delivery of ordered equipment as a reason for higher backlogs.



Data were collected 12-28 May 2025.
Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence. © 2025 S&P Global.

Comment

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

"Service sector growth has improved more than first estimated in May, with confidence about the year ahead also lifting higher, buoyed in part due to pauses on higher rate tariffs. Companies have matched that optimism with increased spending and hiring.

"That said, the improvements come from a low base, following a very gloomy April, which saw growth nearly stall as confidence sank to a two-and-a-half year low. Reports from companies underscore how uncertainty about the policy outlook continued to act as a deterrent to expansion plans in May. Output growth and confidence consequently remain subdued by standards seen last year.

"The PMI is so far indicating annualized GDP growth barely above 1% in the second quarter, so avoiding recession but adding to our expectation of only modest GDP growth in 2025 of just 1.3%.

"Alongside sluggish economic growth, the survey is also signaling intensifying inflationary pressures. Rising costs in the service sector were again blamed widely on tariffs, which were in turn passed on to customers to result in the steepest rise in average prices charged since August 2022. These rising price pressures will only add to policymaker reluctance to reduce interest rates, which we consequently expect to remain on hold until December."

Meanwhile, tariffs and suppliers generally raising their prices meant input cost inflation accelerated steeply in May to its highest since June 2023. Wages were also reported to be factor pushing up overall operating expenses.

Service sector companies responded by passing on their increased input costs to customers wherever possible. Output charge inflation subsequently jumped noticeably in May, hitting its highest level since August 2022.

S&P Global US Composite PMI®

In May, private sector output growth accelerated sharply on April's 19-month low.

Higher activity was driven by an upturn in the services economy as manufacturing output fell marginally again. The S&P Global US Composite PMI® recorded 53.0 in May, up from 50.6 in the previous month.

Both sectors saw increased levels of new business since May, with overall growth improving since April. Employment rose for a third month running. Confidence in the outlook was the highest since January.

Tariffs meanwhile underpinned noticeable accelerations in both input price and output charge inflation.

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.

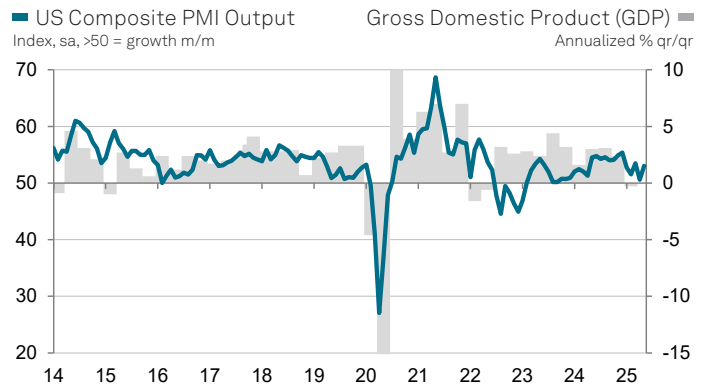
The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' 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.

PMI by S&P Global

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