

S&P Global US Services PMI[®]

Service sector reports strong growth and steeper price pressures in September

Further solid expansions in output and new orders

Inflationary pressures strengthen

Business confidence wanes

September saw a further marked expansion of US services activity as demand was helped in part by a reduction in interest rates.

New business continued to rise solidly, leading to a build-up of unfinished work as companies were cautious with regards to hiring in the face of strong cost pressures. In fact, input prices rose at the joint-fastest pace in a year, with selling price inflation also accelerating.

Meanwhile, business confidence dropped markedly due to concerns of a slowdown in the economy.

The seasonally adjusted S&P Global US Services PMI[®] Business Activity Index posted 55.2 in September, down from 55.7 in August but still signaling a marked monthly increase in service sector output at the end of the third quarter, and one that was among the strongest in the past two-and-a-half years.

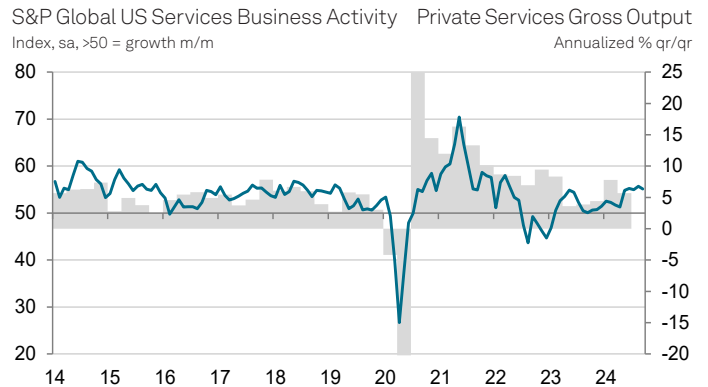
Services activity has now increased in each of the past 20 months. The latest rise was often linked to success in securing new work, while there were a number of reports that the recent reduction in interest rates had boosted demand in the service sector.

A boost from lower interest rates was also mentioned by those companies that saw new orders increase in September as clients became more willing to commit to new projects.

New order growth was recorded for the fifth month running, with the latest solid expansion only slightly softer than the 14-month high seen in August. Total new business was supported by a modest increase in new business from abroad.

Despite marked expansions of both activity and new business, confidence in the year-ahead outlook dropped sharply during September and was the lowest since October 2022. While lower interest rates and an expected improvement in demand following the Presidential Election supported optimism, sentiment waned amid concerns about a potential slowdown in the economy.

Meanwhile, employment dropped for the second month running, albeit only marginally. Some companies reported lowering staffing levels in a bid to save costs but others reported staff shortages.



Data compiled 12-26 September 2024.
Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence.
©2024 S&P Global.

Comment

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

"US service sector businesses reported a strong end to the third quarter, with output continuing to grow at one of the fastest rates seen over the past two-and-a-half years. After GDP rose at a 3.0% rate in the second quarter, a similar strong performance looks likely in the three months to September.

"Encouragingly, inflows of new business in the service sector grew at a rate only marginally shy of August's 27-month high. Lower interest rates have already been reported by survey contributors as having buoyed demand, notably for financial services which, alongside healthcare, remains an especially strong performing sector.

"Companies have become increasingly concerned about the outlook, however, with business confidence slumping in September amid uncertainty caused by the upcoming election as well as perceptions of rising recession risks.

"The upturn has also become increasingly uneven, with growth wholly dependent on the service sector as manufacturing has slipped deeper into a decline in September. This factory malaise is showing some signs of spilling over to the service sector, subduing growth in particular for industrial services.

"It therefore remains to be seen how the Presidential Election will affect growth, and the extent to which lower interest rates might help revive struggling sectors such as industrial goods and services. Clearly there are both upside and downside risks to growth.

"Meanwhile, the inflation signals from the survey point to reviving price pressures, principally linked to stubbornly elevated wage growth, which could temper the Fed's enthusiasm for further aggressive rate cutting."

Input prices increased rapidly in September, with the rate of inflation the joint-fastest in the past year. Higher input costs were often linked to salary pressures.

Alongside higher staff pay, rising prices paid for manufactured goods led some companies to increase their selling prices markedly during the month. The rate of inflation of prices charged for services quickened to a six-month high.

Rates of increase in both input costs and selling prices were well above the respective pre-pandemic averages.

The aforementioned reduction in staffing levels at a time of solid growth of new orders meant that outstanding business was accumulated during September. Backlogs of work rose for the third time in the past four months, and at the fastest pace since January.

S&P Global US Composite PMI®

Rising services activity contrasts with manufacturing weakness

The S&P Global US Composite PMI Output Index posted 54.0 in September, down from 54.6 in August but still signaling a solid monthly improvement in business activity at the end of the third quarter.

Divergent trends between the two monitored sectors persisted, however, with growth centred on the service sector as the manufacturing downturn deepened.

Meanwhile, inflationary pressures strengthened, with the increases in input costs and output prices hitting 12- and six-month highs respectively.

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.

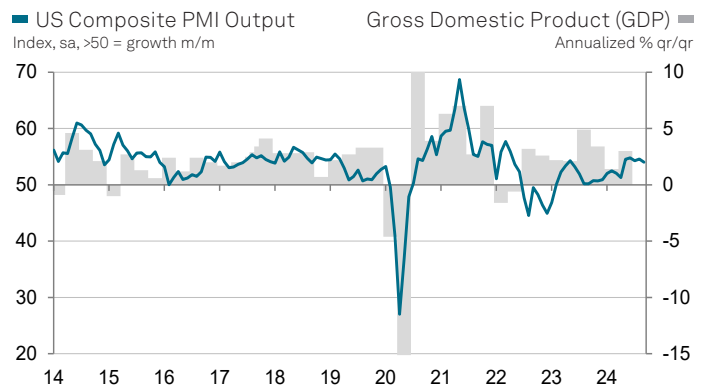
The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI'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

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



Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence. ©2024 S&P Global.

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

Andrew Harker
Economics Director
S&P Global Market Intelligence
T: +44-1491-461-016
andrew.harker@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](#).

S&P Global

S&P Global (NYSE: SPGI) 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. www.spglobal.com

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.