News Release

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S&P Global US Services PMI™

Renewed rise in service sector new orders, but selling price inflation quickens again

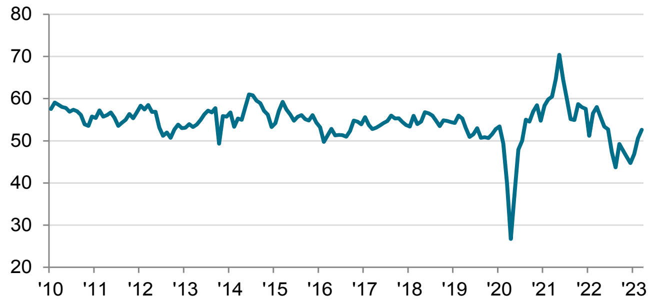
Key findings

Fastest expansion in output since June 2022

Return to new business growth

Cost pressures ease, while output charges rise at sharper rate

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



Data were collected 10-29 March 2023.
Source: S&P Global.

US service sector firms recorded a faster upturn in business activity during March, according to the latest PMI™ data. The rise in output was driven by a renewed increase in new business, the first expansion since last September. Domestic demand continued to support the increase, as new export orders fell further, albeit at only a fractional pace. Pressure on capacity built following greater new orders, as firms registered a modest accumulation of backlogs of work. Subsequently, companies engaged in another round of job creation. Despite stronger demand conditions, business confidence was below the series average and dipped from February amid inflation concerns.

On the price front, input costs rose at the second-slowest pace since October 2020. Nevertheless, efforts to pass through higher costs to clients resulted in a steep and accelerated increase in selling prices.

The seasonally adjusted final S&P Global US Services PMI Business Activity Index registered 52.6 in March, up from 50.6 in February. The latest data signalled a modest rise in output that was the sharpest since June 2022. Where an increase in business activity was noted, firms attributed this to stronger client demand, a renewed rise in orders and the acquisition of new customers.

Service sector firms recorded a return to new order growth at the end of the first quarter, thereby ending a five-month sequence of contraction. Although only marginal, the rate of expansion was the joint-fastest since May 2022. The upturn in client demand was often linked to increased client activity and greater customer referrals.

Concurrently, new export orders continued to decline in March, extending the current sequence of contraction that began in June 2022. Service providers mentioned some signs of improving global client confidence, however, as the pace of decrease slowed to only a fractional rate.

Comment

Siân Jones, Senior Economist at S&P Global Market Intelligence, said:

"Business activity across the service sector expanded at a faster pace in March, as a return to new order growth offered a tonic to the US economy, which saw the fastest rise in private sector output since last June. Improvements in customer spending across the service economy counteracted another fall in manufacturing sales.

"Greater service sector demand and increased pressure on capacity spurred another round of job creation, with the rate of employment growth quickening slightly to a six-month high.

"Concerns regarding the impact of inflation and higher interest rates on customer spending remained apparent, however. Optimism at goods producers and service providers dipped since February amid elevated cost pressures. Nonetheless, selling price inflation accelerated again due to more accommodative demand conditions. A sharper rise in charges contrasted with the trend for input prices, which increased at the second-slowest pace since October 2020."

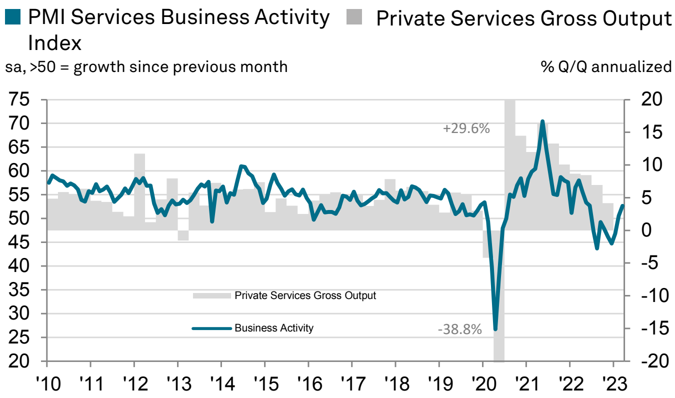
Price pressures across the service sector remained historically elevated during March. Cost inflation was reportedly driven by higher supplier prices and hikes in wage bills. That said, the rate of increase in input prices softened again and was the second-slowest since October 2020.

Output charges, however, rose at a steeper pace in March. Companies continued to highlight the pass-through of greater cost burdens and increased wages to customers. The rate of charge inflation quickened for the second month running and was the fastest since last September.

In line with an expansion in new business, service providers registered a renewed increase in backlogs of work at the end of the first quarter. The uptick in incomplete business was the first for six months, and the fastest for almost a year.

In response, firms expanded their workforce numbers at a moderate pace. Although slower than the long-run series average, the rate of job creation was the sharpest since last September as firms sought to relieve capacity pressures.

Service providers remained upbeat with regards to the outlook for activity over the coming year in March. Hopes of greater investment in new service lines and a further uptick in client demand spurred optimism. That said, inflationary concerns continued to dampen positive sentiment, as the degree of confidence dipped from that seen in February.



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

S&P Global US Composite PMI™

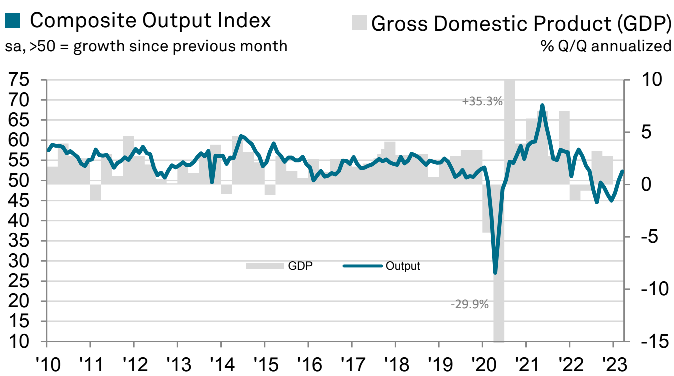
Modest expansion in private sector activity in March

The S&P Global US Composite PMI Output Index* posted 52.3 in March, up from 50.1 in February, to signal a moderate rise in business activity. The uptick was led by service providers, as manufacturers recorded only a fractional increase in output.

Driving the upturn in activity was a renewed expansion in new business in March. The rate of growth was only marginal overall but brought to an end a five-month sequence of decline. The upturn was led by domestic demand as a broad-based contraction in new exports was recorded again.

A further marked rise in input costs was reflected in a faster increase in output charges. Overall cost pressures eased at manufacturers and service providers, but many continued to pass through higher input prices to their customers.

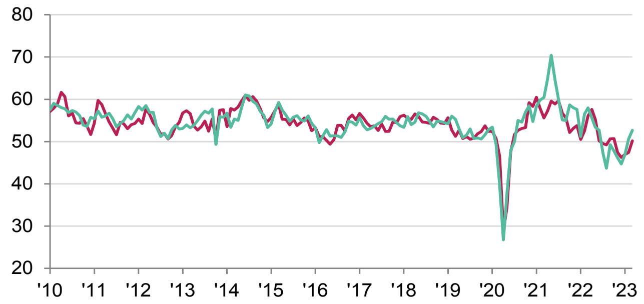
Employment growth quickened slightly in March, amid a broad-based rise in workforce numbers. Job creation stemmed from pressure on capacity, as backlogs of work increased for the first time since last September.



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

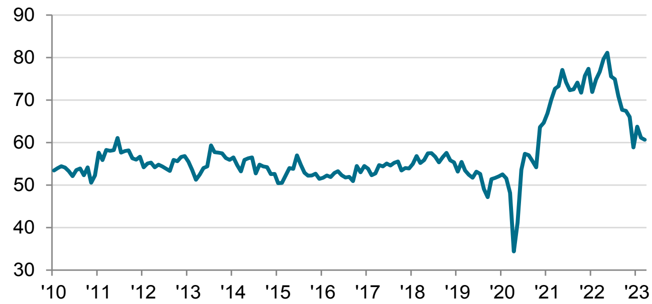
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

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.

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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. ihsmarkit.com/products/pmi.html.

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