

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

## Services sector growth falls to lowest level since April 2025 amid weaker rise in sales

Adverse weather compounds slowdown in February

Operating expenses again rise markedly

Confidence improves from January but remains well below trend

Latest PMI<sup>®</sup> survey data from S&P Global showed that the US service sector registered only a modest pace of activity growth during February.

The slowdown was accompanied by only a moderate rise in incoming new business, with both activity and sales hindered somewhat by adverse weather conditions.

Nonetheless, muted demand conditions limited hiring activity and kept business confidence below trend. Selling price inflation accelerated on the month, reflecting elevated cost pressures from tariffs and rising employee expenses.

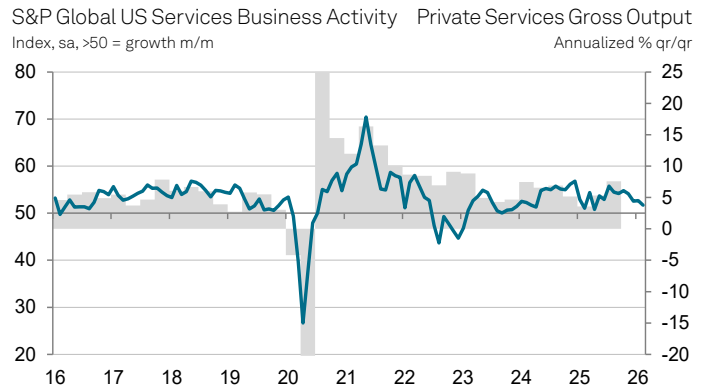
The headline S&P Global US Services PMI<sup>®</sup> Business Activity Index fell in February, decreasing to 51.7 from 52.7 at the start of the year. While indicative of growth for the thirty-seventh month in a row, the index was consistent with only a modest increase in activity that was the weakest for ten months.

New order growth extended into a twenty-second successive month but also cooled from January. Panelists reported that new client wins, and lower interest rates had helped sustain new business inflows, but uncertainty regarding tariffs and government policies limited the rate of demand growth, notably for international customers. Overall new export business recorded a marginal decline, extending the current period of contraction to three months.

With activity rising at a slower pace than overall new work, service providers registered a steeper accumulation in outstanding business midway through the first quarter. Backlogs have now risen consistently for a year, and in January to the greatest extent since May 2022.

That said, additional employment numbers somewhat constrained backlog growth, with February data signaling a second successive monthly increase in headcounts. However, growth was largely associated with filling existing vacancies, and the gain in employment was only fractional amid reports that cost-cutting efforts had constrained hiring activity.

Meanwhile, service providers noted that labor-related expenses had been a source of increased overall operating expenses during February. Tariffs were reportedly the other key driver of higher input costs in the latest survey period. Overall input costs rose sharply in February, whilst there was



Data were collected 10-25 February 2026.  
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

“February’s PMI surveys reflect increasingly tough trading conditions for businesses so far this year. Slowing demand growth from customers both at home and across export markets has been compounded by adverse weather in many states, resulting in the smallest rise in service sector activity for ten months.

“Combined with a sharp slowing of manufacturing output growth in February, waning service sector performance indicates that the economy is growing at an annualized rate just below 1.5% so far in the first quarter, though hopefully this will improve somewhat if we see a weather-related bounce back in March.

“However, optimism about the year ahead remains subdued by concerns over government policies, and is especially low in the service sector, where the tariff impact is seen as broadly negative and where labor-intensive industries such as leisure and recreation continue to suffer from a combination of worker shortages, high costs and low consumer confidence.”

an acceleration in the rate of selling price inflation. Panel members often reported that the latest increase in charges was indicative of the passing through of higher expenses to customers.

Looking ahead to the coming year, US service providers remained positive about future activity levels during February, with the degree of optimism strengthening compared to January. A hoped-for improvement in economic conditions and tax breaks was reported to have bolstered sentiment, while other firms also mentioned new project launches and associated marketing strategies.

However, the level of positive sentiment was below its long-run average as uncertainty regarding the direction of government policies weighed on sentiment.

## S&P Global US Composite PMI®

The S&P Global US Composite PMI® dropped from 53.0 in January to 51.9 in February.

Growth was constrained by a broad-based weakening in the respective expansions in both manufacturing and service sector output.

There was also a concurrent moderation in new business growth midway through the first quarter. Firms took on additional workers, but only fractionally as confidence in the outlook remained below its historical trend.

Prices data meanwhile showed that increases in both costs and selling prices were little changed, and well above respective series averages.

## 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.

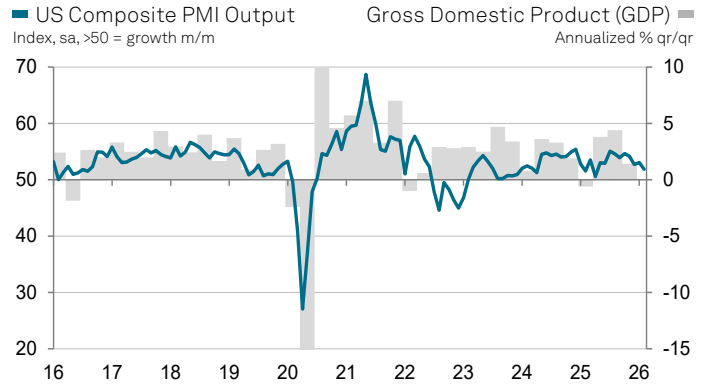
The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI'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

## 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](http://www.spglobal.com/marketintelligence/en/mi/products/pmi)



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