

S&P Global US Services PMI[®]

Business activity growth softens, while selling prices rise at weakest rate in five months

Softer increase in demand also recorded

Limited rise in hiring but confidence in business outlook improves

Tariffs continue to drive operating expenses higher

September's S&P Global PMI[®] survey of US private service sector companies signaled a further, but nonetheless weaker, expansion of business activity. Slower growth was linked to a softer expansion of new work, despite an improvement in foreign demand for the first time in six months.

Meanwhile, sentiment regarding the outlook strengthened, linked in some instances by firms to lower interest rates. However, hiring activity increased only marginally amid some reluctance to replace leavers.

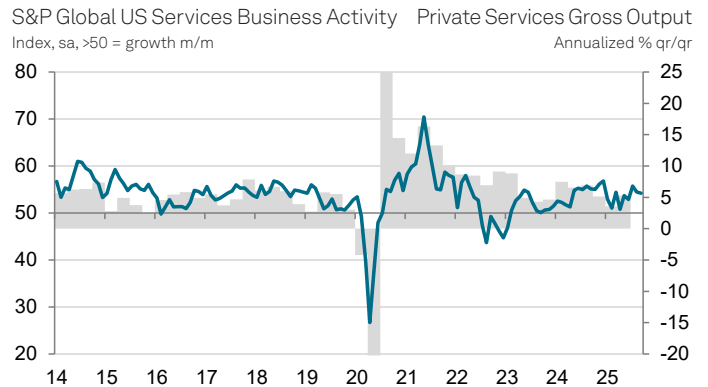
On the price front, cost pressures remained elevated, driven principally by tariffs and higher salary payments. In response, service providers raised their own selling prices but at the slowest rate for five months.

The headline S&P Global US Services PMI[®] Business Activity Index recorded 54.2 in September, down from 54.5 in August. Remaining above the critical 50.0 no-change mark, that separates growth from contraction, the index has now signaled continuous service sector expansion for 32 months. Furthermore, over the third quarter, average monthly growth was the best recorded over a calendar quarter in 2025 so far.

That said, the index has now fallen for two months in a row, representing a slowdown from July's year-to-date peak. This reflected a similar softening of sales growth to a three-month low amid some reports that tariffs and broader uncertainty had limited gains in overall market demand. Foreign sales were a bright spot, however, with new export business up modestly and for the first time since March.

Despite evidence of ongoing capacity pressures – backlogs of work rose solidly for a seventh successive month in September – slightly softer rates of demand and activity growth led to some reluctance amongst US service companies to add to their staffing levels. The net result was only a marginal overall increase in employment, albeit still extending the current period of continuous payroll expansion to seven months.

Business confidence also improved in September, strengthening to its highest since May. Whilst there remains some uncertainty in the outlook, especially around tariffs, lower interest rates in some instances were reported to have boosted optimism by adding to hopes of a pickup of demand in the year ahead. Several panelists also linked their positive sentiment to expectations that federal government policies will support economic growth in the year ahead.



Data were collected 11-26 September 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 softened slightly in September but remained strong enough to round off an impressive performance over the third quarter a whole. Combined with sustained growth in the manufacturing sector, the expansion of service sector activity is indicative of robust third quarter annualized GDP growth of around 2.5%.

“Growth is being fueled principally by rising financial services and tech sector activity, though we are also seeing more signs of improving demand for consumer-facing services such as leisure and recreation, likely linked in part to lower interest rates. Lower borrowing costs have also fed through to a broad-based improvement in business optimism about the outlook for the next 12 months.

“Disappointingly, the improvement in business optimism failed to spur more jobs growth, with hiring almost stalling in a sign of further labor market malaise as companies often focused on running more efficiently amid uncertain trading conditions.

“A further ongoing source of concern from the surveys are heightened cost pressures which survey respondents have attributed to tariffs. Input costs rose sharply again in September as import levies were seen to have again fed through from goods to services. However, rates charged for services rose at the slowest rate for five months in a welcome sign that some of these tariff price pressures in supply chains are starting to moderate.”

Tariffs remained a key source of cost pressures in September, which overall rose sharply and to a slightly faster degree than the previous month. Higher supplier charges and payroll expenses also added to upward pressure on company operating expenses.

Although overall costs again rose at an above trend pace, selling prices increased to the slowest degree since April (albeit also still higher than the historical rate). Whilst firms sought to pass on their higher input costs to clients, in some instances slower demand growth and competition limited pricing power.

S&P Global US Composite PMI®

The S&P Global US Composite PMI® recorded 53.9 in September.

That was down from 54.6 in August and represented the slowest growth for three months. Both sectors covered by the survey recorded weaker output expansions in line with slower gains in new business.

Employment meanwhile barely rose, but confidence in the outlook strengthened noticeably. Cost pressures remained elevated, although inflation softened to a five-month low. A similar trend was seen for output charges.

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.

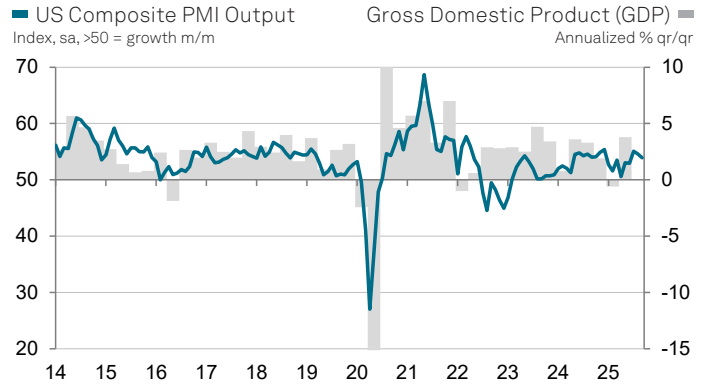
The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI'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