

S&P Global US Services PMI®

Muted increase in business activity as optimism falters and employment falls solidly

Rising prices limit growth in activity and sales

Employment falls at steepest rate in six years

Business optimism at lowest since October 2022

May's S&P Global PMI survey of US private sector companies signaled a slower, and only marginal expansion of business activity.

Softer growth was linked to the impact of rising prices, notably for fuel and energy, which also stunted growth in new business intakes. Sentiment regarding the outlook softened to the lowest since October 2022, which service providers often linked to uncertainty regarding inflation and economic recovery. A more downbeat outlook discouraged hiring at service providers, as staffing levels fell at the steepest rate since May 2020.

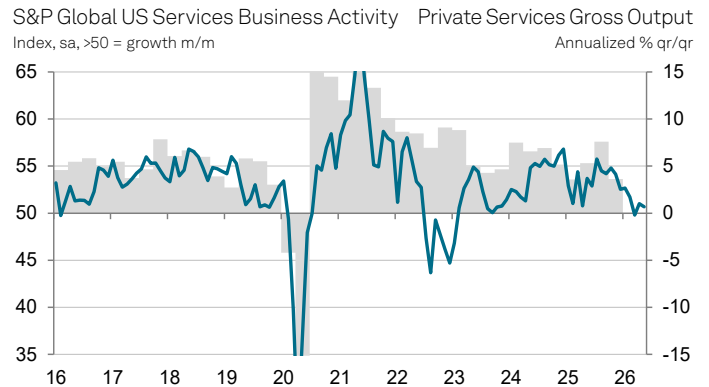
On the price front, cost pressures remained historically elevated, driven principally by rising fuel and energy prices. The pace of inflation was at a five-month high and pushed services companies to raise their own selling prices at a slightly faster rate.

The headline S&P Global US Services PMI® Business Activity Index recorded 50.7 in May, down from 51.0 in April. While remaining above the crucial 50.0 no-change mark, the index signaled only a marginal expansion that was among the weakest seen over the past two-and-a-half years.

The rise in business activity was supported by a renewed expansion in new business inflows midway through the second quarter. That said, sales growth was well below the long-run trend amid reports that budget constraints due to higher operating expenses had stunted growth. A stronger expansion in sales was also limited by a steeper reduction in international sales. The decline in foreign demand was the most pronounced since November 2022 and reflected economic and trade policy uncertainty.

Business confidence eased during May, reaching its lowest since October 2022, reflecting ongoing uncertainty regarding geopolitical instability and inflationary pressures. At the same time, firms were hesitant to take on staff, with headcounts falling for the second time in three months. In fact, the rate of job shedding was the most marked since May 2020.

Evidence of ongoing capacity pressures was nonetheless prevalent during May as outstanding business rose for the fifteenth month in a row but at a less pronounced rate than in April.



Data were collected 12-27 May 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

"While the US manufacturing economy is reporting a surge in demand as war-related supply and price worries drive precautionary stock building, it's a different story in the service sector. Demand for services has been largely stalled over the past three months, losing the strength seen earlier in the year.

"The sluggish services economy is acting as drag on overall economic growth, which the PMI data signal to be running at a modest annualized pace of just above 1% so far in the second quarter.

"Hardest hit are the consumer-facing service sectors, where orders are now falling at the steepest pace since the pandemic in 2020, blamed on a combination of squeezed spending power from energy prices hikes and customers pushing back on higher prices being charged for services. However, business services are also seeing reduced order book growth compared to earlier in the year and financial services firms are coming under pressure from higher interest rates.

"Rising costs and cooling demand are meanwhile causing service companies to cut staff at the fastest rate seen since the early months of the pandemic.

"The increase in input cost inflation being signaled by the PMI points to a further rise in consumer price inflation in the coming months, but on the other hand the weakening of demand growth and downturn in the labor market being indicated could help allay concerns over any inflation spike becoming more entrenched."

Cost pressures reportedly stemmed from rising fuel, energy and supplier prices, and pushed overall input costs up to the fastest degree in 2026 so far. Higher labor costs and tariffs also added to upward pressure on company operating expenses.

In line with the trend for overall costs, selling prices increased to a greater extent than in April with inflation comfortably above its long-run average. Firms often sought to pass higher input costs onto clients, although a stronger increase was limited by reports of competitive pressures.

S&P Global US Composite PMI®

The S&P Global US Composite PMI® recorded 51.5 in May.

That was down slightly from 51.7 in April and represented a modest rate of growth in private sector activity amid a similarly muted gain in new work. Sector divergences were prevalent however, with an accelerated expansion in the manufacturing sector partially offset by a subdued performance in services.

Employment meanwhile fell at the quickest pace in six years, while confidence in the outlook was at a 13-month low. Cost pressures remained elevated, with inflation strengthening to the most pronounced in a year. 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.

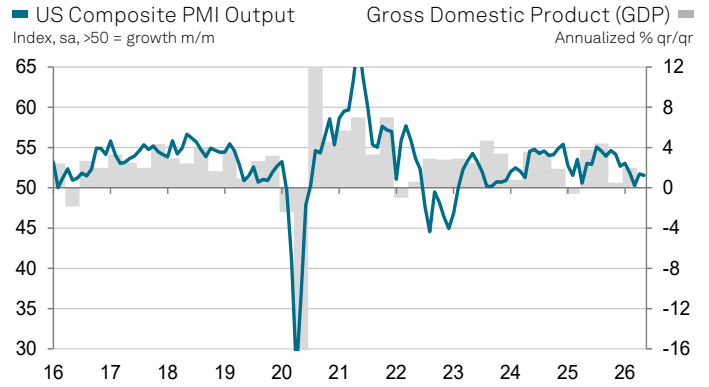
The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI'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