

S&P Global US Services PMI[®]

New business intakes fall for first time in two years as war in the Middle East and inflation hit demand

Marginal activity growth despite weak drop in sales volumes

Input costs and selling prices increase sharply again

Employment edges higher as outlook improves slightly

The US service sector registered a decline in new work inflows at the start of the second quarter of 2026, according to the latest PMI data from S&P Global.

It was the first reduction in demand since April 2024 amid the negative impact of the war in the Middle East and higher inflationary pressures. That said, there was a marginal improvement in business activity, whilst employment also rose slightly and confidence in the outlook improved.

Higher prices for goods and services, most notably fuel and gas, plus increased labor-related costs continued to drive typical operating expenses up, which contributed to another steep rise in selling prices.

The headline S&P Global US Services PMI[®] Business Activity Index registered 51.0 in April following 49.8 in March. Whilst an improvement since the previous month, growth was nonetheless only marginal and well below the series average.

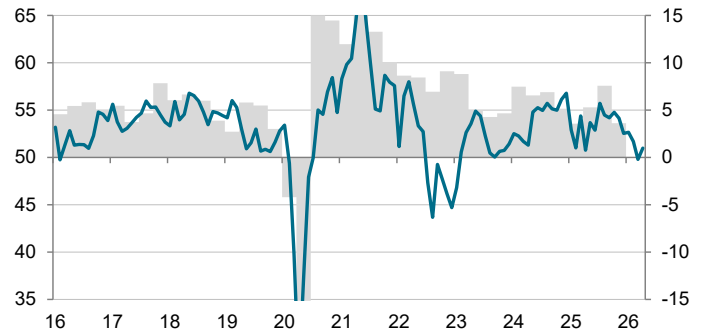
Growth was limited by a weakness in demand as new business fell into contraction territory for the first time in two years. Panelists often commented on a rising degree of uncertainty stemming from high inflation and the war in the Middle East. Tariffs remained a source of instability in relation to international demand. Latest data showed new export business declined solidly in April to extend the current sequence to five months.

Meanwhile, employment volumes rose slightly in April, following a fractional contraction in March. Panelists noted a number of part-time staff had been taken on to fill vacancies. Some pressure on capacity was sustained nonetheless as backlogs of work rose modestly for the fourteenth month in a row.

Input price inflation remained elevated during April and well above its historical trend level. Service providers reported that costs were driven higher by rising supplier charges, increased fuel and gas prices alongside an uplift in staffing costs. The rise in expenses led to another sharp increase in selling charges over the month. Firms commonly attributed higher output prices to efforts to offset some of the adverse impact on profit margins of increased input costs.

Finally, expectations about the year ahead were again positive overall at the start of the second quarter, but still below trend. Where growth is forecast, hopes of an end to

S&P Global US Services Business Activity Index, sa, >50 = growth m/m Private Services Gross Output Annualized % qr/qr



Data were collected 9-28 April 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

“Although business activity returned to growth after a small decline in March, it’s clear the pace of growth has kicked down a couple of gears since the start of the year. The survey data are indicative of GDP growing at a modest 1% annualized rate.

“Growth may weaken further, as service providers are reporting lower inflows of new business for the first time in two years, reflecting an intensifying hit to demand from the war in the Middle East.

“The direct impact of the war has been most evident in consumer-facing services, as high prices have led to a pull-back in discretionary spending on activities such as holidays and recreation, though transport has also been curbed by high fuel prices and travel disruptions.

“However, a secondary additional driver of renewed weakness is a drop in demand for financial services, in part linked to heightened uncertainty about market outlooks but also reflecting expectations of higher inflation and interest rates, which has hit real estate and lending activity.

“A further increase in input cost inflation reflected not just higher fuel prices but a widening spread of goods and services rising in price, as well as higher wages, which will feed through to consumer price inflation in the coming months. The scale of the price rises will put pressure on the Fed to prevent higher inflation becoming entrenched.”

the war in the Middle East, improved marketing and business expansion plans were all seen as sources of growth for the year ahead. That said a degree of uncertainty over the impact of the conflict and upward pressure on the cost of living weighed on sentiment.

S&P Global US Composite PMI®

The S&P Global US Composite PMI® recorded 51.7 in April, up from 50.3 in the previous month.

A renewed rise in services activity coincided with stronger growth in manufacturing.

Only marginal rises in new orders and employment volumes were recorded. Confidence in the outlook gathered momentum from March, however.

Price pressures meanwhile intensified, with cost inflation being the highest in 2026 so far. Selling prices rose to the greatest degree in nine months.

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.

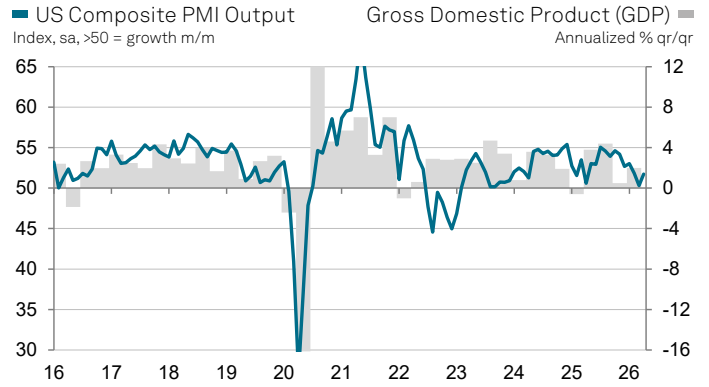
The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' 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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Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence. © 2026 S&P Global.

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