

News Release

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S&P Global US Services PMI™

Business activity growth quickens amid stronger demand conditions, but charge inflation reaches series high

Key findings

New business expansion accelerates to fastest since June 2021

Selling prices rise at sharpest pace on record

Backlogs of work grow at series-record rate

US service providers registered a sharp upturn in business activity in March, according to the latest PMI™ data. The expansion in output quickened to the fastest for four months, amid stronger demand conditions and a steeper rise in new orders. Client demand strengthened despite a record rate of charge inflation. Output prices increased markedly as a faster rise in cost burdens was largely passed through to customers.

At the same time, pressure on capacity built despite employment rising at the steepest pace for almost a year. Backlogs of work expanded at the strongest rate since the series began in October 2009. Longer term growth expectations were less upbeat, however, as confidence in the year-ahead outlook slipped to the weakest for five months.

The seasonally adjusted final S&P Global US Services PMI Business Activity Index registered 58.0 in March, up from 56.5 in February, but lower than the earlier released 'flash' estimate of 58.9. The increase in business activity was steep and the quickest in 2022 so far, accelerating further from January's Omicron-induced slowdown. Many companies stated that the easing of COVID-19 restrictions boosted footfall, with stronger client demand and a steeper rise in new business driving up output.

Service providers signalled a marked rise in new orders at the end of the first quarter, as new client acquisition and the further easing of COVID-19 restrictions strengthened demand conditions. The pace of new business growth was the fastest since June 2021 and quicker than the series average.

Total new sales were also supported by stronger foreign client demand during March. New export orders rose at a robust rate that was the sharpest for ten months. Companies noted that fewer restrictions on travel encouraged customer spending and drove new business from abroad.

On the price front, firms recorded a substantial increase in output charges during March. The rise in selling prices was

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



Source: S&P Global.
Data were collected 11-28 March 2022.

Comment

Chris Williamson, Chief Business Economist at S&P Global, said:

"Business activity in the vast service sector enjoyed a boost from the relaxation of virus-fighting restrictions in March, regaining strong momentum after the Omicron-induced slowdown seen at the start of the year. Demand for services is in fact growing so fast that companies are increasingly struggling to keep pace with customer orders, leading to the largest rise in backlogs of work recorded since the survey began in 2009.

"However, while this suggests that companies have a healthy book of orders to sustain strong output in the coming months, the downside is further upward pressure on prices as demand exceeds supply. With firms' costs inflated by the soaring price of energy, fuel and other raw materials, as well as rising wages, prices charged for services are rising at an unprecedented rate. Consumer price inflation therefore looks likely to accelerate further as we head into the spring."

PMI™

by S&P Global

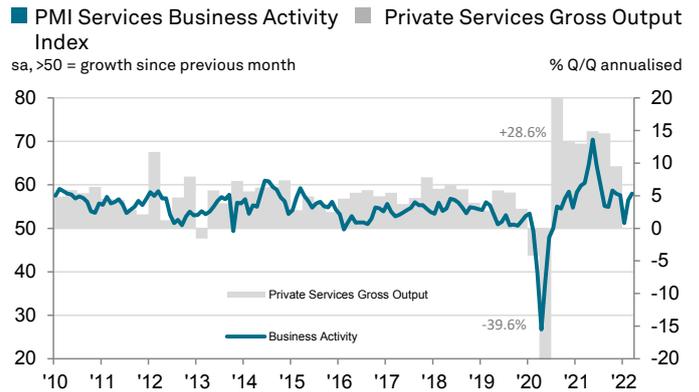
the sharpest on record (since October 2009), as service providers reportedly passed through higher costs to clients, where possible.

The rapid uptick in output prices stemmed from a faster increase in input prices. The rate of cost inflation accelerated to the quickest since December's series-record high, and was the third-steepest on record. Where higher cost burdens were reported, firms linked this to broad-based increases in input prices. Companies once again highlighted hikes in fuel, energy and wage bills as driving inflation.

In line with a faster rise in new orders, services firms recorded the quickest accumulation of backlogs on record in March. The pace of increase in the level of outstanding business accelerated for the first time since last October. Companies also stated that input shortages exacerbated challenges in working through incomplete business.

Higher levels of backlogs of work were noted despite employment rising at the fastest pace in almost a year. Although firms hired additional staff in response to greater business requirements, the receipt of new orders continued to place pressure on capacity.

Meanwhile, business expectations regarding the outlook for output over the coming year remained upbeat at the end of the first quarter. Optimism was buoyed by increased marketing activity and hopes of greater client demand and the reduced impact of any further COVID-19 variant. That said, the degree of confidence dropped to a five-month low amid inflation concerns.



Sources: S&P Global, US Federal Reserve.

S&P Global US Composite PMI™

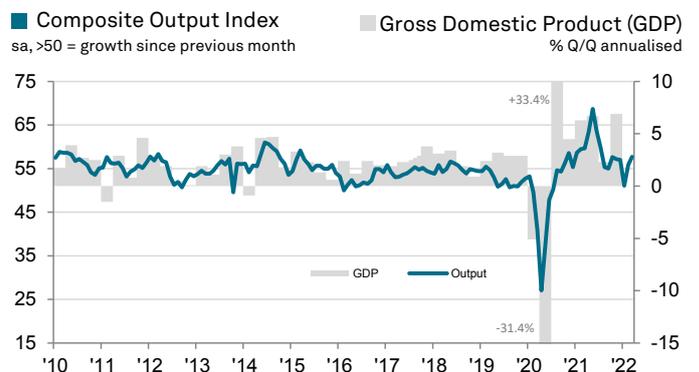
Private sector business activity growth accelerates to fastest for eight months in March

The S&P Global US Composite PMI Output Index* posted 57.7 in March, up from 55.9 in February, to signal a sharp expansion in business activity across the private sector. The rate of growth was the fastest since last July, as manufacturers and service providers recorded steeper upturns in output.

Supporting the sharper uptick in activity was the quickest rise in new business since June 2021. Domestic and foreign client demand strengthened as easing COVID-19 restrictions continued to boost new sales.

Meanwhile, inflationary pressures intensified as supplier costs soared. Input prices rose at one of the fastest rates on record, whilst costs passed through to customers drove up output charges at the joint-sharpest pace since data collection began in October 2009.

Although private sector employment grew at a steep pace, pressure on capacity mounted amid severe raw material shortages, with backlogs of work expanding at a series-record rate.



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.

■ Manufacturing PMI Output Index
■ Services PMI Business Activity 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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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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Contact

Chris Williamson
 Chief Business Economist
 S&P Global
 T: +44-20-7260-2329
chris.williamson@spglobal.com

Katherine Smith
 Corporate Communications
 S&P Global
 T: +1 (781) 301-9311
katherine.smith@spglobal.com

Siân Jones
 Senior Economist
 S&P Global
 T: +44-1491-461-017
sian.jones@spglobal.com

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