

S&P Global US Services PMI[®]

Renewed rise in employment as output growth strengthens

Sharpest growth of output and new orders since March 2022

Employment increases for first time in five months

Business confidence at 18-month high

US service providers saw rates of expansion in business activity and new orders strengthen further in December amid a greater willingness among customers to spend following the Presidential Election result.

Business confidence also perked up. With workloads rising, companies increased employment for the first time in five months. Meanwhile, cost inflation eased to the slowest for almost a year, with charges again up only modestly.

The seasonally adjusted S&P Global US Services PMI[®] Business Activity Index rose for the second month running in December, reaching a 33-month high of 56.8 following a reading of 56.1 in November.

Companies indicated that client demand had improved, with customers more willing to commit to new projects following the outcome of the Presidential Election.

In line with the picture for business activity, the rate of expansion in new orders also reached the fastest since March 2022 in December. New business was up rapidly in the final month of the year, extending the current sequence of growth to eight months.

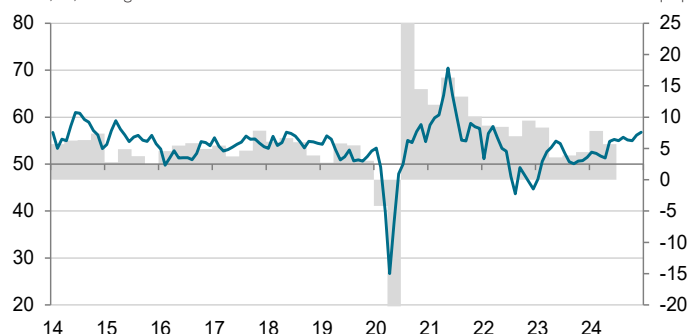
A further increase in new business from abroad was registered, although the pace of expansion eased from that seen in November and was much weaker than the growth in total new orders.

The strength of the rise in overall new business meant that backlogs of work accumulated again in December, the third time in the past four months in which this has been the case.

Efforts to limit the build-up in backlogs of work and respond to strong growth of new orders led service providers to take on extra staff at the end of 2024. A rise in staffing levels ended a four-month sequence of job cuts, but it was still only modest.

There were further signs of cost pressures moderating in December as the pace of inflation eased for the third consecutive month to the weakest since last February. Input prices still increased markedly, however, and at a pace that was faster than the pre-pandemic average. A number of respondents mentioned higher shipping costs, while others reported wage pressures.

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



Data compiled 05-19 December 2024.

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Comment

Chris Williamson, Chief Business Economist at S&P Global Market Intelligence

"The US economy ended 2024 on a high according to the latest business surveys. Business activity in the vast services economy surged higher in the closing month of 2024 on fuller order books and rising optimism about prospects for the year ahead.

"Expectations of faster growth in the new year are based the anticipation of more business-friendly policies from the incoming Trump administration, including favorable tax and regulatory environments alongside protectionism via tariffs.

"The improved performance of the service sector has more than offset a continued drag on the economy from the manufacturing sector, meaning the survey data point to another robust expansion of the economy in the fourth quarter after the 3.1% GDP growth seen in the third quarter.

"The strong service sector PMI reading for December sets the US economy up for a good start to 2025 but, with growth as strong as this, it's understandable that policymakers are taking a more cautious approach to lowering interest rates. However, a key focus in the coming months will be the potential vulnerability of the economy to any major change in the interest rate outlook, especially as financial services activity has been an important engine of growth in late 2024, partly on the anticipation of a further lowering of borrowing costs."

In response to higher input costs, companies increased their own selling prices. The rate of inflation remained modest, despite quickening slightly from that seen in November.

Service providers expect the incoming administration to strengthen business conditions in 2025, leading to growing confidence in the year-ahead outlook for business activity. In fact, optimism was the strongest in a year-and-a-half and above the series average as 44% of firms expressed a positive outlook. Marketing efforts are also predicted to help boost activity over the coming year.

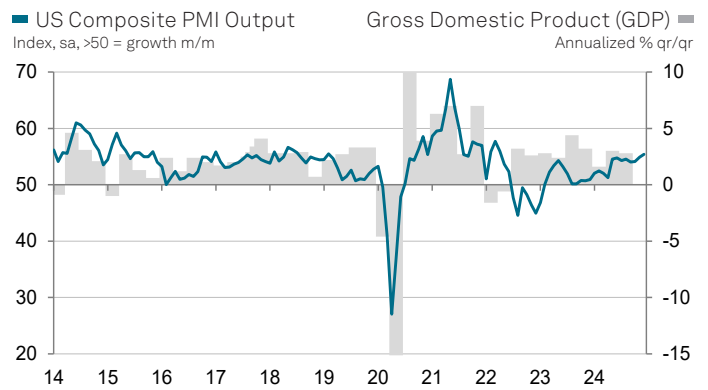
S&P Global US Composite PMI®

Service sector drives stronger output growth

The S&P Global US Composite PMI Output Index increased to 55.4 in December from 54.9 in November. The latest index reading pointed to a marked monthly increase in business activity, and one that was the fastest since April 2022.

The overall expansion in activity reflected strong growth in the service sector, and was recorded despite a further decline in manufacturing production.

New orders also rose at a faster pace, while employment increased for the first time in five months.



Source: S&P Global PMI. ©2025 S&P Global.

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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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