

# S&P Global US Services PMI®

## Business activity growth weakens in December as inflation rates pick up

Slower rise in activity reflected weaker growth in new work

Employment down negligibly as outlook softens

Input costs and selling prices increase sharply

The US service sector continued to expand at the end of 2025, according to the latest PMI data from S&P Global.

However, with new business inflows rising to the weakest degree in over a year-and-a-half, growth of activity faltered and was the lowest since last April. Confidence in the outlook also weakened, whilst employment volumes stagnated, failing to rise for the first time since last February.

Tariffs and higher labor-related costs meanwhile drove typical operating expenses up to the greatest degree since last May. Firms passed on their higher costs by raising selling prices at a quicker pace.

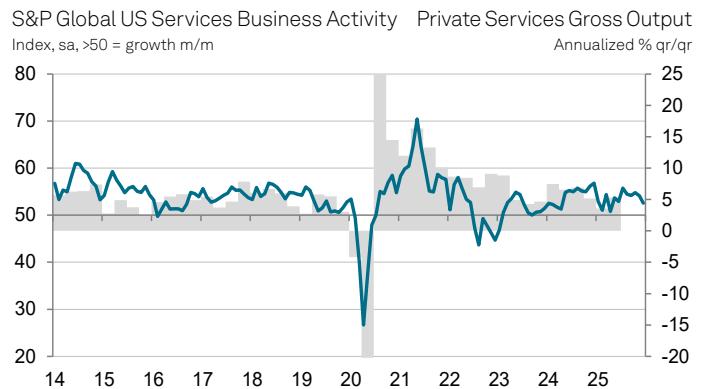
The headline S&P Global US Services PMI® Business Activity Index registered 52.5 in December to signal solid growth of activity and extending the current period of continuous expansion to just under three years. However, the index was down from 54.1 in November and thereby signaling the slowest growth for eight months.

Demand conditions cooled somewhat in December, with growth of new work faltering. Overall, inflows of new business rose only marginally and to the weakest degree in 20 months. Panelists commented on a degree of uncertainty in market demand, with client budgets and spending reportedly squeezed. Tariffs remained a source of instability, especially in relation to foreign demand. Latest data showed new export business declined in December for a second time in the past three months. Although modest, the rate of contraction was the steepest since last May.

Meanwhile, employment volumes fell negligibly in December, ending a nine-month sequence of continuous growth. Panelists noted cost concerns, budget constraints and the downturn in demand growth as reasons for the lackluster trend in employment. Some capacity constraints were however evident, with backlogs of work rising modestly and for the tenth month in a row.

Highlighting an ongoing squeeze in company budgets at the end of 2025, input price inflation accelerated during December to a seven-month high and remained well above its historical trend level. Service providers continued to report that costs were being driven higher by tariffs, and a general increase in supplier charges. Labor related expenses were also reported to be a source of cost inflation.

Higher input prices fed through to an increase in selling charges over the month. Overall, the rate of inflation picked



Data were collected 1-19 December 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

*"Business activity continued to expand in December, rounding off another quarter of robust growth, but the resilience of the US economy is showing signs of cracking. New business placed at services providers showed the smallest rise in some 20 months which, accompanied by the first fall in orders placed at manufacturers for a year, points to a broad-based weakening of demand growth."*

*"Not only has service sector business activity slowed in response to concerns over order books, with the December surveys signaling the weakest economic expansion since last April, but the number of companies cutting headcounts has exceeded those reporting higher employment for the first time since February.*

*"We also enter 2026 with future output expectations running much lower than seen at the start of 2025, fueling concerns that December's slowdown and job market malaise could spill over into the new year.*

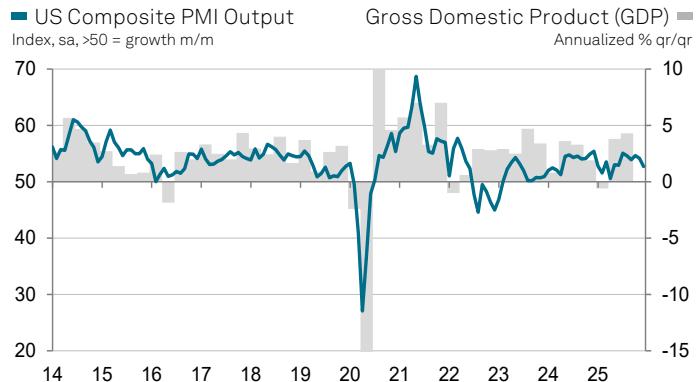
*"Confidence has been dampened principally by uncertainty over government policy and the broader economic outlook, with tariffs and affordability featuring as common threads throughout companies' more cautious views on their prospects.*

*"These affordability worries are underscored by companies reporting an increased impact of tariffs on both input costs and selling prices in December, suggesting we could see the unwelcome combination of slower economic growth and stubbornly high inflation at the start of the new year.*

*"However, there is an expectation among many companies that lower interest rates and government policy will start to boost demand again as the new year proceeds."*

up to its highest level since August as firms sought to offset the impact on margins of higher operating expenses.

Finally, expectations about the year ahead were again positive overall during December, albeit a little softer than in November and therefore still below trend. Tariffs and broader uncertainty over government policies continued to weigh on sentiment. Where growth is forecast, hopes of lower interest rates, business expansion plans and new product launches were all seen as sources of growth for the year ahead.



Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence.  
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## S&P Global US Composite PMI®

The S&P Global US Composite PMI® recorded 52.7 in December, down from 54.2 in the previous month.

Growth rates slowed in both manufacturing and service sectors.

Only a marginal rise in new order volumes was recorded, the slowest in 20 months, whilst employment was also just slightly higher. Confidence in the future was lower than in November.

Price pressures meanwhile intensified, with cost inflation the highest since last May. Selling prices rose markedly in response.

## 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](mailto:economics@spglobal.com).

## PMI by S&P Global

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## Contact

Chris Williamson  
Chief Business Economist  
S&P Global Market Intelligence  
T: +44-20-7260-2329  
[chris.williamson@spglobal.com](mailto:chris.williamson@spglobal.com)

Paul Smith  
Economics Director  
S&P Global Market Intelligence  
T: +44-1491-461-038  
[paul.smith2@spglobal.com](mailto:paul.smith2@spglobal.com)

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Florence Bogitsh  
Senior Communications Manager, Americas  
S&P Global Market Intelligence  
T: +1-646-460-7204  
[florence.bogitsh@spglobal.com](mailto:florence.bogitsh@spglobal.com)  
[press.mi@spglobal.com](mailto:press.mi@spglobal.com)

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