News Release
Embargoed until 0945 EDT 3 April 2026 / 1345 UTC 3 April 2026

S&P Global US Services PMI®

Business activity declines amid higher inflation and war in the Middle East

First decline in activity since January 2023

Employment down amid weakest rise in new work for nearly two years

Steeper rises in both input costs and output prices in March

The US private sector services economy experienced a contraction of activity at the end of the first quarter of 2026, according to March PMI® survey data from S&P Global.

It was the first decline recorded in over three years amid the weakest rise in new work since April 2024.

Confidence in the outlook weakened against a backdrop of rising cost pressures as a surge in energy prices following the outbreak of war in the Middle East cast a shadow over the sector. Employment numbers fell fractionally amid an uncertain outlook.

The headline S&P Global US Services PMI® Business Activity Index recorded 49.8 in March, down from February's 51.7 and lower than the earlier 'flash' estimate of 51.1. Overall, it was the lowest index reading for over three years and consistent with a fractional contraction in activity.

Panelists commonly linked the deterioration in activity to the impact of the war in the Middle East. Latest survey data showed the weakest growth in new work for just under two years. There were reports of a lack of client confidence, amid worries that the conflict will increase prices. Export trade also deteriorated to a greater degree than in February, falling solidly overall. Firms noted that the adverse impact of tariffs on trade was compounded by the hit to sentiment of the war in the Middle East.

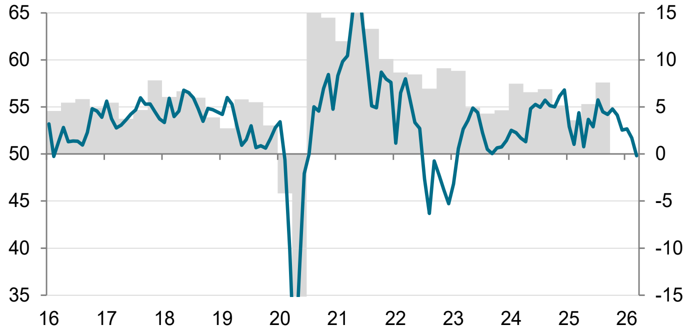
Confidence in the outlook, as measured by the Future Activity Index, softened since February. Again, the war in the Middle East, especially its possible impact on the cost of living and travel disruptions, were cited as key in driving confidence down to its lowest level in five months. Concerns over higher interest rates and a generally subdued business environment added to the downward pressure on sentiment.

Reduced new orders and a less positive outlook pushed firms to reduce staffing levels at the end of the first quarter. Though only fractional, job shedding was registered for the first time since December. Firms also indicated weakening pressure on capacity as backlogs of work increased at the least pronounced rate since last October.

Meanwhile, latest prices data signaled the continuation of above trend input cost inflation, with prices overall rising to the greatest degree in 2026 so far. The surge in energy costs brought on by the outbreak of war was widely mentioned as

S&P Global US Services Business Activity   Private Services Gross Output

Index, sa, >50 = growth m/m   Annualized % qr/qr



Data were collected 12-27 March 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

"The PMI survey data show the US economy buckling under the strain of rising prices and intensifying uncertainty, as the war in the Middle East exacerbates existing concerns regarding other policy decisions in recent months, notably with respect to tariffs.

"The service sector has slipped into contraction for the first time since January 2023, dragging the overall economy down to a near-stalled 0.5% annualized rate of growth in March. Worst hit is consumer-facing service sectors where, barring the pandemic lockdowns, the downturn reported in March was among the steepest recorded since data were first available in 2009. However, financial services and tech, both of which performed strongly last year, have shown some signs of weaker performance amid financial market volatility and concerns over higher interest rates, which have deterred investment.

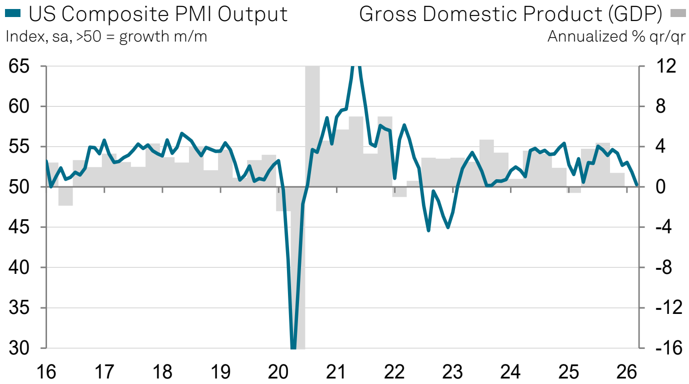
"Key to the deteriorating growth trend is a pull-back in spending amid worsening affordability, with costs and selling prices surging higher in March amid spiking energy prices. The survey data are broadly consistent with consumer price inflation accelerating close to 4% as firms increasingly seek to push through higher costs onto customers in the coming months.

"The stagflationary environment of stalled growth and surging price pressures pictured by the PMI presents a major challenge to policymakers, especially with the March survey also indicating falling employment. Clearly much depends on the duration of the conflict. The fact that business confidence has merely dipped and not slumped is a sign that businesses are hopeful of a swift resolution to the war. However, a concern is that the energy disruption unleashed by the war in the Middle East may well have an impact that lasts far longer than any actual conflict and may test the resilience of business and households over the coming months."

PMI® by S&P Global

a key driver of higher operating expenses. Service providers also noted an increase in labor-related costs and material supply shortages.

Where possible, firms sought to pass on their higher costs to clients via a rise in their own selling prices. Inflation was again above its long-run trend, having accelerated to an eight-month high during March.



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® posted 50.3 in March, consistent with only marginal growth in private sector activity.

The index was down from 51.9 in February, and the weakest since September 2023. A renewed contraction in service sector activity offset a stronger uptick in manufacturing output at the end of the first quarter.

Latest data showed growth in new work eased to a three-month low, while business confidence in the coming 12 months was the most subdued since last October. In turn, private sector employment fell for the first time in just over a year. Input price inflation, meanwhile, accelerated to the highest seen in 2026 so far whilst output charges rose at a stronger pace.

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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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