

United States

PMI surveys point to solid third quarter US growth, but lower business optimism sends warning signal for outlook

A solid expansion of the US service sector, accompanied by a marked acceleration of manufacturing growth, means the S&P Global PMI data for August point to signs of a strong third quarter for the US economy. Growth was led by rising financial services activity, in part reflecting buoyant stock markets.

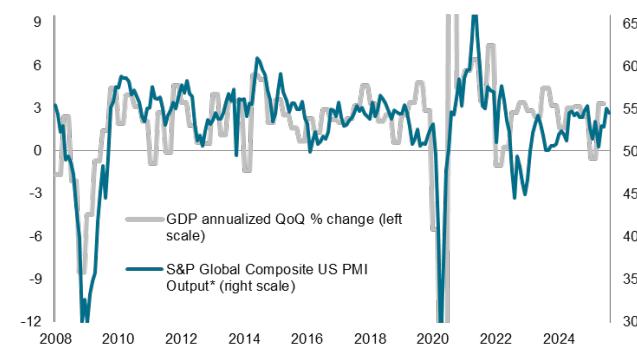
But the surveys also revealed a further drop in business optimism about the year-ahead outlook, suggesting companies are cautious about the sustainability of the upturn.

Solid third quarter growth

The S&P Global US PMI Composite Output Index fell from 55.1 in July to 54.6 in August. Although weaker than signaled by the preliminary 'flash' PMI reading, and below that seen in July, the expansion in August was still the second strongest recorded so far this year.

The PMI surveys are consistent with the US economy growing at a solid 2.4% annualized rate in the third quarter so far. That compares with an average 1.3% GDP growth pace over the first half of 2025.

US quarterly GDP growth and the PMI



Data compiled September 4, 2025.

* PMI covers manufacturing only prior to 2009 but manufacturing & services thereafter.

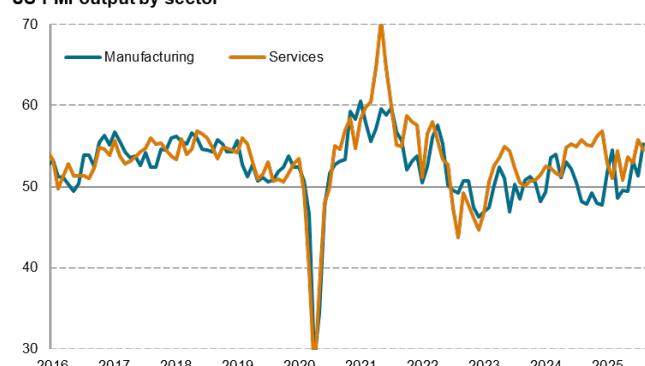
Sources: S&P Global PMI, S&P Global Market Intelligence, BEA.

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August saw robust service sector growth, but the rate of expansion slowed. Nonetheless, the latest service sector expansion was the second largest seen this year. The big change came from manufacturing, however, where output

growth accelerated sharply to the highest since May 2022 to outpace the service sector.

US PMI output by sector



Data compiled September 4, 2025.

PMI (Purchasing Managers' Index) 50 = no change on prior month.

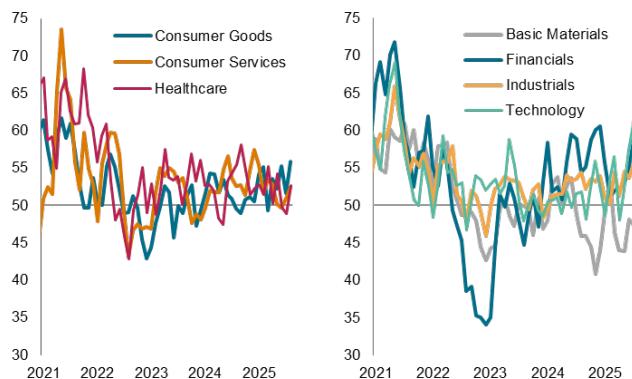
Source: S&P Global PMI.

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Digging into further detail, the service sector upturn was driven by a further acceleration of financial services activity, which showed one of the largest rises seen this side of the pandemic. In contrast, tech sector and industrial services activity both slowed, though remained stronger than growth of consumer services, where ongoing weak demand was often linked to low household confidence.

In the manufacturing sector, consumer goods output growth jumped to the strongest extent since April 2022, and basic materials output returned to growth for the first time since February.

S&P Global PMI US output by sector



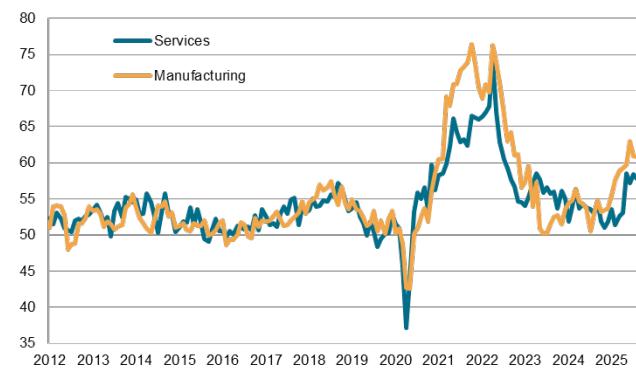
Data compiled September 4, 2025.

PMI (Purchasing Managers' Index) 50 = no change on prior month.

Source: S&P Global PMI.

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US PMI selling prices



Data compiled September 4, 2025.

PMI (Purchasing Managers' Index) 50 = no change on prior month.

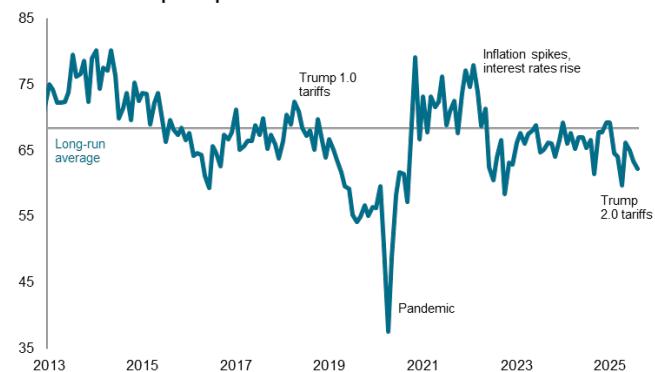
Source: S&P Global PMI.

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Optimism sinks further

The brighter news on current economic growth was marred, however, by concerns over future growth prospects and inflation. Business optimism regarding the year ahead outlook has dropped to one of the lowest levels seen over the past three years amid escalating worries over the uncertainty and drop in demand caused by federal government policy, most notably tariffs, as well as the associated rise in price pressures.

US PMI future output expectations



Data compiled September 4, 2025.

PMI 50 = no expected change over next 12 months, covers manufacturing and services.

Source: S&P Global PMI.

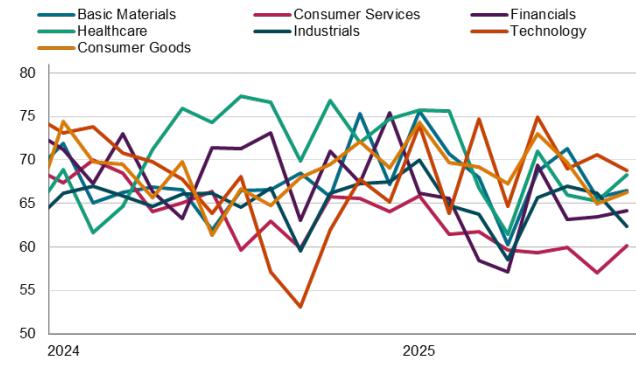
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Inflation concerns have been fanned by a further steep rise in input costs which have fed through to another marked rise in average charges for goods and services.

Sentiment is running especially low in services, having slipped further in August, but ticked higher in manufacturing amid expectations that trade protectionism will bring benefits. However, we note that current demand for goods, ranging from consumer items to basic materials, was supported in August by reports of renewed inventory building, in turn linked to concerns over tariff price rises or potential supply issues, which will likely provide only a short-term boost to production.

By sector, by far the darkest outlook is evident for consumer services firms followed by basic materials producers. Tech firms are the most optimistic, closely followed by healthcare.

US PMI future output expectations by sector



Data compiled September 2025.

PMI (Purchasing Managers' Index) 50 = no change on prior month.

Source: S&P Global PMI.

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