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United States

Flash US PMI: Business growth slows in September, but selling price inflation also cools

US business activity growth slowed for a second successive month in September, according to early 'flash' PMI data. Both manufacturing and service sectors reported weakened expansions, leading to slower hiring in both cases.

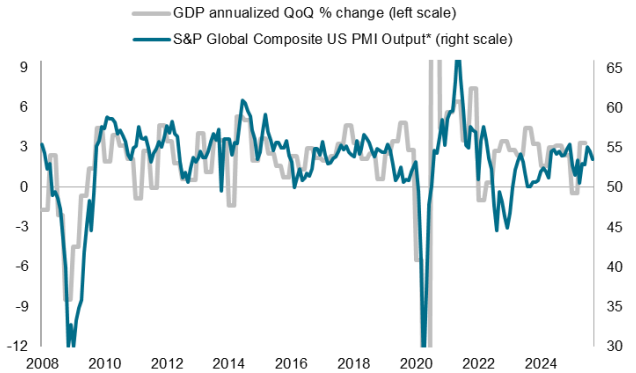
Tariffs were meanwhile again widely cited as the main cause of sharply higher costs, but weaker demand and stiff competition reportedly limited the scope to raise selling prices, which, on average, rose at the slowest rate since April. Slower than expected sales reportedly also contributed to the largest rise in factory inventory levels of unsold stock in the history of the survey.

More encouragingly, business confidence in the outlook improved, partly reflecting hopes that lower interest rates will help offset some of the anticipated impacts from tariffs and broader policy uncertainty.

Growth momentum wanes for second month

The headline S&P Global US PMI Composite Output Index fell from 54.6 in August to 53.6 in September, according to the 'flash' reading (based on about 85% of usual survey responses). However, although signaling a weakened rate of growth for a second successive month, the still-elevated PMI reading indicates that the third quarter a whole has seen the strongest average monthly expansion since the fourth quarter of 2024. The survey data are consistent with the economy expanding at a 2.2% annualized rate in the third quarter.

US quarterly GDP growth and the PMI



Data compiled September 23, 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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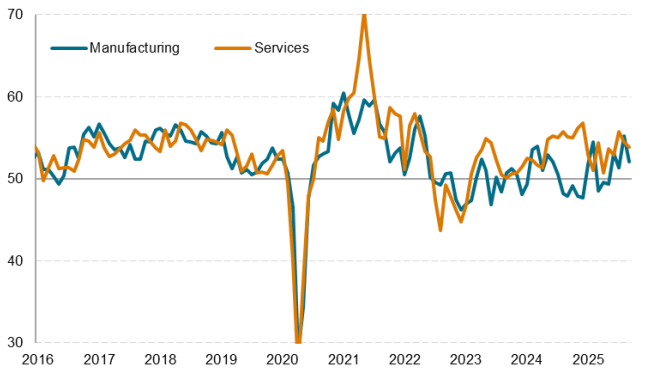
While the services economy provided the main driving force behind September's rise in business activity, the expansion was the weakest since June. Inflows of new orders for services likewise showed the smallest rise for three months due to weaker domestic demand growth.

US PMI output by sector



Data compiled September 23, 2025.
PMI (Purchasing Managers' Index) 50 = no change on prior month.
Source: S&P Global PMI.
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Higher output was meanwhile reported in the manufacturing sector for a fourth consecutive month, but the expansion was much weaker than the strong gain (a 39-month high) seen in August. New order inflows in the goods-producing sector also weakened to only a marginal pace, in part due to an increased rate of loss of exports. In

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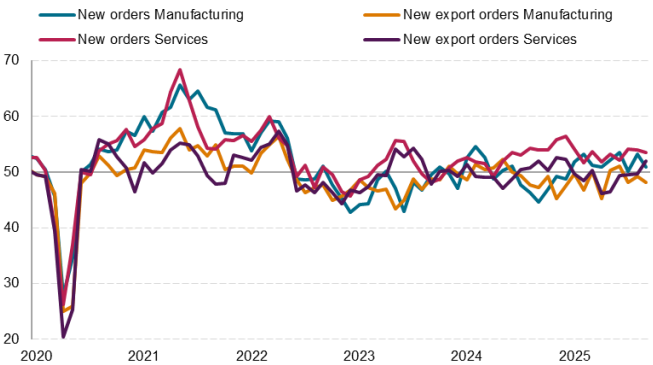
turn, exports were widely reported as having fallen due to tariffs.

US PMI order book indicators



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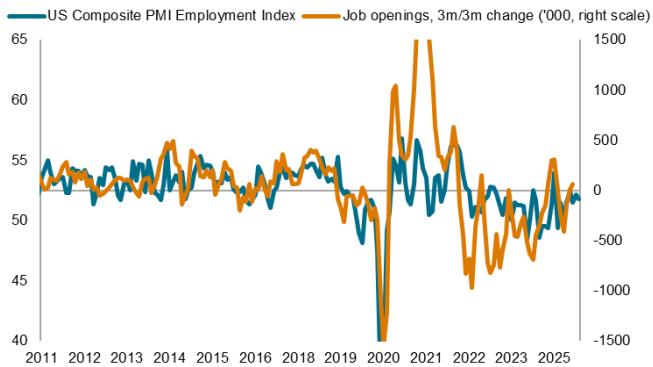
Jobs growth weakens

The rate of job creation meanwhile slowed, with lower job gains seen across both manufacturing and service sectors.

Although service companies continued to take on extra staff in response to rising workloads and improved confidence, the September survey saw a higher incidence of companies unable or unwilling to fill vacant positions. In manufacturing, the survey saw more of a focus on job losses due to cost cutting.

US labour market: PMI and job vacancies



As of August 2025.
PMI 50 = no change on prior month..
Source: S&P Global PMI, Bureau of Labor Statistics JOLTS report.
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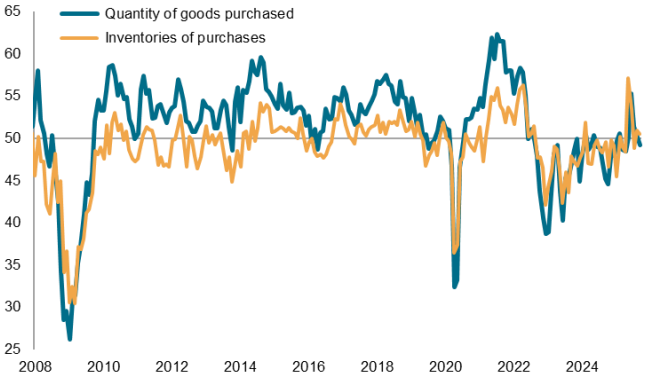
Tariff front-running fades

Manufacturers also cut back on their input buying in September for the first time since April. The reduction marks a contrast to the widespread stock building seen during the second quarter, which was characterized by factories seeking to build up safety stocks ahead of tariff-related supply and price shocks.

US PMI manufacturing input buying and inventories



Data compiled September 23, 2025.
PMI (Purchasing Managers' Index) 50 = no change, covers manufacturing only.
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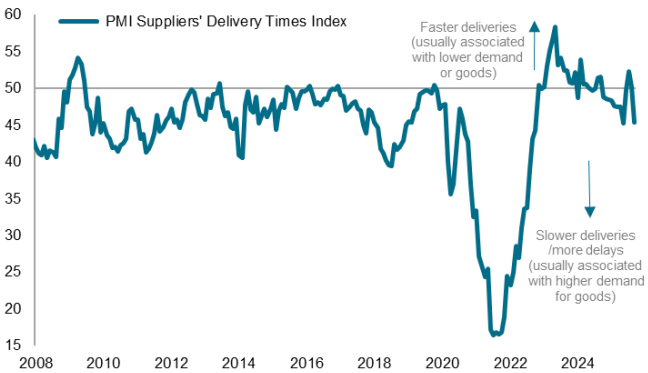
More supply chain delays were reported, however, often linked to tariffs and import availability issues. September's lengthening of delivery times was the second-largest recorded for nearly three years, exceeded only by that recorded in May after April's tariff announcements had disrupted shipments.

US PMI manufacturing supplier performance



Data compiled September 23, 2025.
PMI (Purchasing Managers' Index) 50 = no change, covers manufacturing only. Note inverted scale as this index is inverted when included in the headline PMI.
Source: S&P Global PMI.
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Record stock inventory build up

Higher production at a time of slowing sales growth was meanwhile commonly cited as the underlying cause of the largest build up of finished goods inventories in over 18 years of manufacturing PMI data collection. Inventories have now also risen in four of the past five months.

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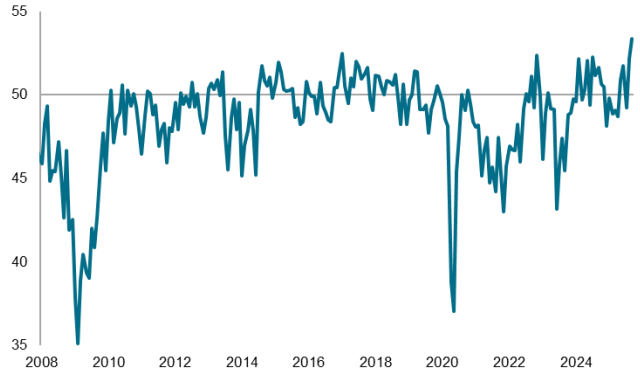
US PMI manufacturing finished goods inventories



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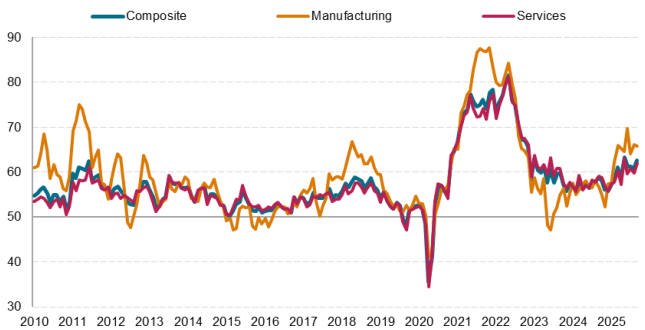
Margin squeeze reduces tariff impact on inflation

Tariffs were again overwhelmingly cited as the principal cause of further cost increases in September, most evidently in the manufacturing sector. Manufacturing input price inflation remained elevated at one of the highest rates since the pandemic, albeit dipping slightly since August. Service sector inflation meanwhile hit the second-highest recorded over the past 27 months.

Overall input cost inflation consequently accelerated to its highest since May and therefore the second highest for just over two-and-a-half years

US PMI input price indicators



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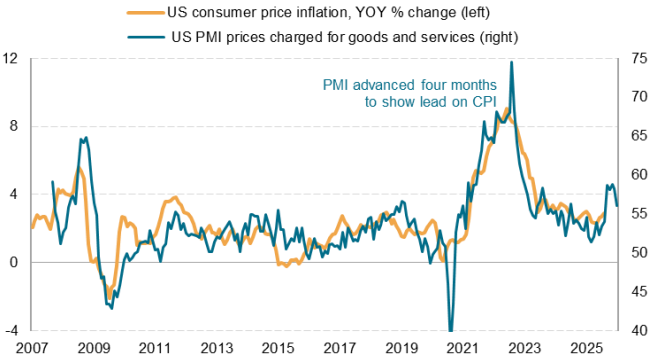
In contrast, average prices charged for goods and services rose at the slowest rate since April as the number of companies able to hike selling prices to pass higher costs on to customers fell, hinting at squeezed margins. Goods price inflation cooled especially sharply, down to its lowest since January. whilst selling prices in the service sector rose at the weakest rate since April.

Historical comparisons suggest that the survey data are nevertheless still indicative of consumer inflation remaining above the central bank's 2% target in the coming months. That said, we anticipate that the record inventory accumulation in manufacturing could further help soften inflation in the coming months as discounting increases.

US inflation and the PMI output prices index



Data compiled September 23, 2025.
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Source: S&P Global PMI, BLS via S&P Global Market Intelligence.
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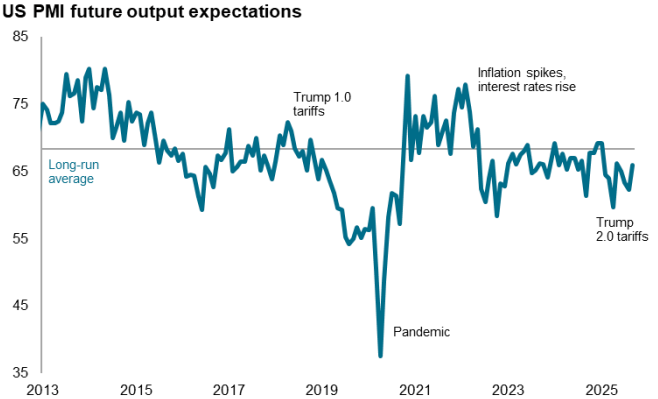
Lower interest rates help lift optimism

Looking ahead, companies' expectations about output in the year ahead improved to a four-month high in September, yet remained below the survey's long-run averages in both manufacturing and services.

Outlook concerns continued to center on government policies, notably tariffs, and broader political uncertainty, though in manufacturing tariffs were again often cited as hopefully providing a stimulus to domestic production in the coming year. Both sectors saw business confidence improve on the back of lower interest rate policy.

US PMI future output expectations



Data compiled September 23, 2025
PMI 50 = no expected change over next 12 months, covers manufacturing and services.
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