

October 3, 2025 • 630.517.7756 • www.ftportfolios.com

## September ISM Non-Manufacturing Index

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- The ISM Non-Manufacturing index declined to 50.0 in September, lagging the consensus expected 51.7. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mixed in September. The new orders index declined to 50.4 from 56.0, and the business activity index fell to 49.9 from 55.0. The employment index rose to 47.2 from 46.5, and the supplier deliveries index increased to 52.6 from 50.3.
- The prices paid index ticked up to 69.4 in September from 69.2 in August.

**Implications:** The US service sector ran in place in September as the ISM Services Index lagged expectations and dropped to 50.0, signaling the same level of activity as last month. Despite continued weakness in its counterpart survey on the [manufacturing sector](#), the service sector remains far more resilient, with activity expanding in ten out of the last twelve months. Looking at the details, growth was divided among service categories: ten out of eighteen major industries reported growth versus seven that reported contraction. The drop in the headline index came from the new orders index normalizing from 56.0 (the highest level in ten months) to 50.4. Meanwhile, the business activity moved into contraction territory (albeit, barely) from its five-month high of 55.0 to 49.9, the first time below 50 since May 2020. Survey comments indicate a fractured growth picture, as some industries struggle with stagnant demand under the pressure of high interest rates and tariffs, while others experience very strong demand from the AI and cloud infrastructure buildout. This bumpy path has kept service companies defensive in their hiring efforts. Employment continued to contract in the service sector in September (but at slower pace compared to last month), with the category rising from 46.5 to 47.2. That makes six out of the last seven months where the employment index has been below 50, signaling contraction. Service companies – once hamstrung with difficulty finding qualified labor – have begun reducing their headcounts, with more industries (eight) reporting lower employment in September than higher (six). Finally, the highest reading of any category was once again the prices index, which appears to have stabilized just below 70. While that is near the highest level since late 2022, it is still far from the worst we saw during the COVID supply-chain disruptions, when the index reached the low 80s. Though inflation pressures remain, the M2 measure of the money supply has grown very slowly for three years, which means we are likely to see lower inflation and growth in the year ahead. As for the economy, it's important to remember that Purchasing Manager's surveys like the ISM Services index and its counterpart on the manufacturing sector often capture sentiment mixed in with actual activity. Uncertainty from trade policy has been weighing on sentiment, but could be alleviated as more trade agreements are finalized. However, monetary policy has been tight enough to reduce inflation toward the Federal Reserve's 2.0% target and is probably still modestly tight today. And a monetary policy tight enough to reduce inflation may also be tight enough to slow the US service sector.

ISM Services: Services PMI Composite Index  
 SA, 50+=Increasing



Source: Institute for Supply Management/Haver Analytics

ISM Services: Prices Index  
 SA, 50+ = Economy Expanding



Source: Institute for Supply Management/Haver Analytics

Non-Manufacturing ISM Index Seasonally Adjusted Unless Noted	Sep-25	Aug-25	Jul-25	3-month moving avg	6-month moving avg	Year-ago level
<b>Composite Index</b>	<b>50.0</b>	52.0	50.1	50.7	50.7	54.5
<b>Business Activity</b>	<b>49.9</b>	55.0	52.6	52.5	52.6	58.6
<b>New Orders</b>	<b>50.4</b>	56.0	50.3	52.2	51.1	59.1
<b>Employment</b>	<b>47.2</b>	46.5	46.4	46.7	47.8	48.2
<b>Supplier Deliveries (NSA)</b>	<b>52.6</b>	50.3	51.0	51.3	51.3	52.1
<b>Prices</b>	<b>69.4</b>	69.2	69.9	69.5	68.3	59.5

Source: Institute for Supply Management