

October ISM Non-Manufacturing Index

- The ISM Non-Manufacturing index increased to 52.4 in October, beating the consensus expected 50.8. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mostly higher in October. The new orders index rose to 56.2 from 50.4, and the business activity index increased to 54.3 from 49.9. The employment index rose to 48.2 from 47.2, while the supplier deliveries index declined to 50.8 from 52.6.
- The prices paid index increased to 70.0 in October from 69.4 in September.

Implications: The sector responsible for two-thirds of US output once again demonstrated its strength, as the ISM Services Index beat even the most optimistic forecast of any Economics group polled by Bloomberg and rose to an eight-month high of 52.4 in October. 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, the pickup in the headline index came from a swift jump in the new orders index, where growth accelerated to the fastest pace in a year. Meanwhile, the business activity index rebounded from contraction territory last month (albeit, barely) at 49.9 and rose to 54.3 in October. Survey comments indicate a fractured growth picture, as some voice concerns about the impacts of additional tariffs and the federal government shutdown, while others indicate business as usual. Notably, a survey comment from the Retail Trade industry wrote, “Business is very strong, no supply chain or logistical issues.” Still, this bumpy path has kept service companies defensive in their hiring efforts. Employment continued to contract in the service sector in October (but at slower pace compared to last month), with the category rising from 47.2 to 48.2. That makes seven out of the last eight months where the employment index has been below 50, signaling contraction. Service companies – once hamstrung with difficulty finding labor – have begun reducing their headcounts, with more industries (ten) reporting lower employment in October than higher (four). Finally, the highest reading of any category was once again the prices index, which ticked up to 70.0 in October. That is the highest level since late 2022 but 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 and the lapse in government funding have been weighing on sentiment, but that could fade as more clarity emerges. 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. In other news this morning, ADP reported private payrolls rose 42,000 in October after declining 29,000 in September.

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 <i>Seasonally Adjusted Unless Noted</i>	Oct-25	Sep-25	Aug-25	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	52.4	50.0	52.0	51.5	50.9	55.8
Business Activity	54.3	49.9	55.0	53.1	52.7	57.7
New Orders	56.2	50.4	56.0	54.2	51.8	56.7
Employment	48.2	47.2	46.5	47.3	47.7	52.2
Supplier Deliveries (NSA)	50.8	52.6	50.3	51.2	51.3	56.4
Prices	70.0	69.4	69.2	69.5	69.1	58.6

Source: Institute for Supply Management