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July ISM Non-Manufacturing Index

- The ISM Non-Manufacturing index declined to 50.1 in July, lagging the consensus expected 51.5. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mostly lower in July. The new orders index declined to 50.3 from 51.3, and the business activity index fell to 52.6 from 54.2. The employment index dropped to 46.4 from 47.2, while the supplier deliveries index rose to 51.0 from 50.3.
- The prices paid index increased to 69.9 in July from 67.5 in June.

Implications: The US service sector continued trading water in July, but data from the ISM Services report add to a growing list of evidence that indicate a slowing economy. First, the headline: the ISM Services index declined to 50.1 in July, lagging even the most pessimistic forecast from any economics group surveyed by Bloomberg. Besides the contractionary readings in December 2022, April 2024, June 2024, and most recently in May 2025, that is the slowest pace since the COVID shutdown months. The details were not much better. Activity among the major industries was split, with eleven out of eighteen reporting growth for the month, while seven reported contraction. The indexes for new orders and business activity both declined in July, falling to 50.3 and 52.6, respectively. While both indexes sit in modest expansionary territory, uncertainty from trade policy, a pullback in public funding, and rising costs to existing projects are all said to be delaying new investment and activity. Service companies – once hamstrung with difficulty finding qualified labor – are responding by reducing their headcounts, with the employment index falling deeper into contraction at 46.4, now the fourth month in the last five below 50. Finally, the highest reading of any category was once again the prices index, which rose to 69.9 in July. 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 is barely up versus three years ago – 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, and it remains to be seen whether recent trade agreements from key US trade partners will alleviate some of that. 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 ever-resilient 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 <i>Seasonally Adjusted Unless Noted</i>	Jul-25	Jun-25	May-25	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Composite Index	50.1	50.8	49.9	50.3	51.1	51.4
Business Activity	52.6	54.2	50.0	52.3	53.5	54.2
New Orders	50.3	51.3	46.4	49.3	50.5	52.7
Employment	46.4	47.2	50.7	48.1	48.9	51.0
Supplier Deliveries (NSA)	51.0	50.3	52.5	51.3	51.5	47.6
Prices	69.9	67.5	68.7	68.7	65.8	57.3

Source: Institute for Supply Management