

## August ISM Non-Manufacturing Index

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- The ISM Non-Manufacturing index rose to 52.0 in August, beating the consensus expected 51.0. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mostly higher in August. The new orders index increased to 56.0 from 50.3, and the business activity index rose to 55.0 from 52.6. The employment index ticked up to 46.5 from 46.4, while the supplier deliveries index declined to 50.3 from 51.0.
- The prices paid index declined to 69.2 in August from 69.9 in July.

**Implications:** The US service sector once again demonstrated its resilience in August, with the index beating expectations and rising to 52.0. That is the highest level for the ISM Services index in six months, a turnaround from its recent downward trajectory. Looking at the details, growth was broad-based, with twelve out of eighteen major service industries reporting growth versus four reporting contraction. The category for new orders led the overall index higher, as it rose to a ten-month high at 56.0. Meanwhile, business activity also contributed, with the index rising to a five-month high at 55.0. Despite the jump in orders and activity, service companies remained defensive with their hiring efforts. Employment continues to contract in the service sector, with the category ticking up to 46.5. That makes five out of the last six 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 than four times the industries (nine) reporting a decline in employment in August versus an increase (two). Finally, the highest reading of any category was once again the prices index, which slipped to 69.2. That is near 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, 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 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>	Aug-25	Jul-25	Jun-25	3-month moving avg	6-month moving avg	Year-ago level
<b>Composite Index</b>	<b>52.0</b>	50.1	50.8	51.0	50.9	51.6
<b>Business Activity</b>	<b>55.0</b>	52.6	54.2	53.9	53.6	53.9
<b>New Orders</b>	<b>56.0</b>	50.3	51.3	52.5	51.1	53.2
<b>Employment</b>	<b>46.5</b>	46.4	47.2	46.7	47.7	49.6
<b>Supplier Deliveries (NSA)</b>	<b>50.3</b>	51.0	50.3	50.5	51.0	49.6
<b>Prices</b>	<b>69.2</b>	69.9	67.5	68.9	66.9	57.7

Source: Institute for Supply Management