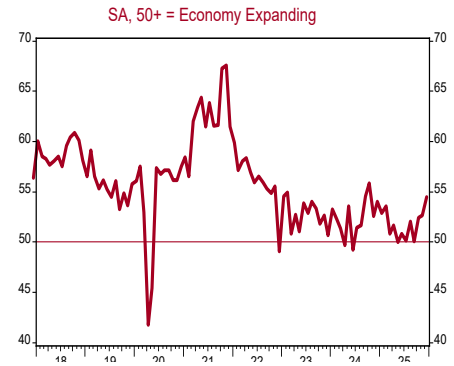


December ISM Non-Manufacturing Index

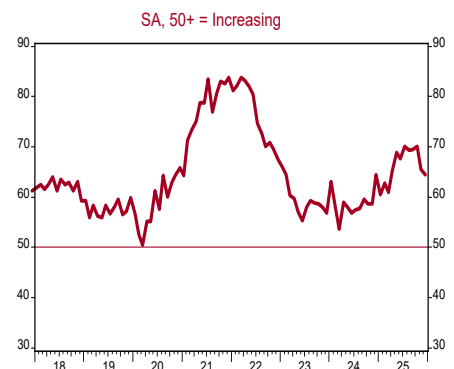
- The ISM Non-Manufacturing index increased to 54.4 in December, beating the consensus expected 52.2. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mostly higher in December. The new orders index rose to 57.9 from 52.9, while the business activity index increased to 56.0 from 54.5. The employment index rose to 52.0 from 48.9, while the supplier deliveries index fell to 51.8 from 54.1.
- The prices paid index declined to 64.3 in December from 65.4 in November.

Implications: The sector that drives two-thirds of the US economy finished 2025 on a high note, as the ISM Services index rose to a fourteen-month high, beating even the most optimistic forecast from any economics group surveyed by Bloomberg. Despite continued weakness in its counterpart survey on [manufacturing](#), the service sector has proven resilient, showing expansion in ten out of the last twelve months. The surge in the headline index to 54.4 was driven largely by new orders, which rose to a fifteen-month high of 57.9. Survey comments reveal that respondents saw increases due to higher end-of-year activity in preparation for the new year. Business activity also jumped up during the holiday season in December, rising to 56.0, the highest level in 2025. However, survey comments still indicate a fractured picture: some voice concerns over persistently high prices, while others indicate optimism surrounding demand in the year ahead. The good news is that the fog of uncertainty surrounding tariffs and business conditions seems to be clearing up, as service companies have started increasing their hiring efforts for the first time since May. It will be important to monitor if this trend continues into the future, as an equal number of industries (7 out of 18) reported employment growth and contraction in December, while four reported no change. Unfortunately, the highest reading of any category was once again the prices index, in spite of a decline to the lowest level since March. Though the index remains elevated, it is still far from the worst we saw during the COVID supply-chain disruptions, when the index reached the low 80s. While inflation pressures remain, the M2 measure of the money supply has grown very slowly over the past three years. The M2 money supply rose 0.1% in November and 4.3% over the past twelve months – below the historical growth rate of about 6% – suggesting lower inflation and continued economic growth in the year ahead. In other news this morning, ADP's measure of private payrolls increased 41,000 in January versus a consensus expected 50,000. We're estimating Friday's official report will show a nonfarm payroll gain of 73,000 with the unemployment rate declining slightly to 4.5%. On the autos front, cars and light trucks were sold at a 16.0 million annual rate in December, up 1.9% from November but down 4.9% from a year ago.

ISM Services: Services PMI Composite Index



ISM Services: Prices Index



Source: Institute for Supply Management/Haver Analytics

Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Dec-25	Nov-25	Oct-25	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	54.4	52.6	52.4	53.1	51.9	54.0
Business Activity	56.0	54.5	54.3	54.9	53.7	58.0
New Orders	57.9	52.9	56.2	55.7	54.0	54.4
Employment	52.0	48.9	48.2	49.7	48.2	51.3
Supplier Deliveries (NSA)	51.8	54.1	50.8	52.2	51.8	52.5
Prices	64.3	65.4	70.0	66.6	68.0	64.4

Source: Institute for Supply Management