

September ISM Non-Manufacturing Index

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- The ISM Non-Manufacturing index declined to 54.9 in September, slightly lagging the consensus expected 55.0. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mixed in September. The business activity index fell to 56.5 from 61.7, and the new orders index declined to 59.8 from 60.9. The employment index increased to 50.1 from 47.8, while the supplier deliveries index rose to 53.2 from 51.3.
- The prices paid index rose to 74.0 in September from 72.6 in August.

Implications: Service sector activity continued to expand at a solid pace in September, with the ISM Services index coming in at 54.9, just slightly below both last month's reading and consensus expectations. Service activity continues to show resilience in the face of multiple headwinds this year. Despite the prices index reaching a four-year high in September, the overall services index has registered above 53.0 for ten consecutive months, the longest stretch since 2022. Looking at the details, overall growth was broad in September with thirteen of the major service industries reporting expansion, while four reported contraction, and one reported no change. The major measures of activity were mixed in September. Both business activity and new orders fell from their multi-year highs in August: the business activity index fell to 56.5 from 61.7, and the new orders index declined to 59.8 from 60.9. Both forward-looking indices have shown expansion in each of the last sixteen months. As a result, order backlogs have started to stack up. The backlog of orders index rose to 56.6 in September, the highest in over four years, and the eighth consecutive month in expansion. Survey comments reveal a hesitant outlook surrounding both elevated prices and a higher interest rate environment. However, some report that it has not been enough to dampen growth. One comment from the Wholesale Trade industry notes that "Demand remains very strong. Manufacturers have very little breathing room to keep up with demand, and in some cases, typical lead times have slipped." This mounting pressure has caused service companies to add to payrolls in September, with the employment index rising back into expansion territory at 50.1. While one month does not make a trend, it is a welcome sign in an industry that has struggled to consistently hire for the past three years. Unfortunately, the highest reading of any index was once again the prices index, which rose to 74.0 in September, now the sixth time this year the index has breached 70.0. Though the index remains elevated, it remains below the worst we saw during the COVID when M2 surged by 42% and the prices paid index reached the low 80s.

ISM Services: Services PMI Composite Index
 SA, 50+ = Economy Expanding



Source: Institute for Supply Management/Haver Analytics

ISM Services: Prices Index
 SA, 50+ = Increasing



Source: Institute for Supply Management/Haver Analytics

Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Sep-26	Aug-26	Jul-26	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	54.9	55.4	54.1	54.8	54.4	50.3
Business Activity	56.5	61.7	59.1	59.1	57.7	50.2
New Orders	59.8	60.9	57.2	59.3	57.3	51.1
Employment	50.1	47.8	47.4	48.4	48.7	47.6
Supplier Deliveries (NSA)	53.2	51.3	52.8	52.4	54.0	52.6
Prices	74.0	72.6	70.3	72.3	71.1	68.5

Source: Institute for Supply Management