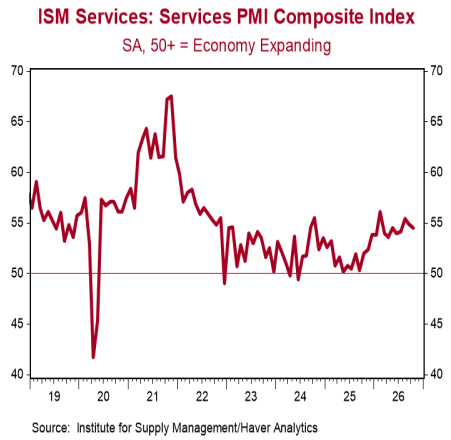
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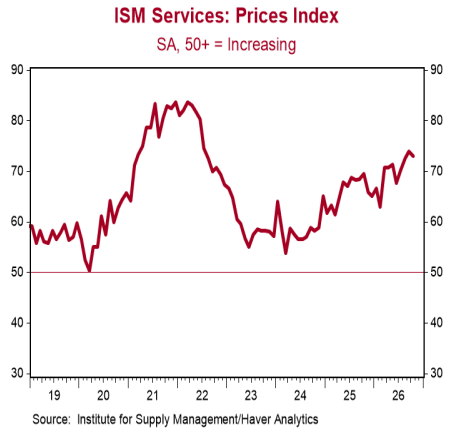
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October ISM Non-Manufacturing Index

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- The ISM Non-Manufacturing index declined to 54.5 in October, lagging the consensus expected 54.8. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mixed in October. The business activity index declined to 53.8 from 56.5 and the new orders index fell to 55.9 from 59.8. The employment index increased to 51.4 from 50.1 and the supplier deliveries index rose to 56.7 from 53.2.
- The prices paid index declined to 73.0 in October from 74.0 in September.





Implications: The pace of growth in the service sector took another small step back in October, with the ISM Services index falling to 54.5, the second consecutive monthly decline. That said, service activity has shown resilience in the face of multiple headwinds this year. Despite the prices index hovering close to its four-year high, the overall services index has registered above 53.0 for the past eleven months, the longest streak since 2022. Looking at the details, overall growth was broad in October with fifteen of the major service industries reporting expansion, while two reported contraction and one reported no change. The major measures of activity were mixed in October. The business activity index fell once again to 53.8, a steep fall from the three-year high of 61.7 reached in August, although it has signaled expansion for twenty-eight consecutive months. The new orders index also declined to 55.9, but it is still elevated compared to a year ago, helping to push the backlog of orders index up to 58.0, its highest level since 2022. With orders piling up, firms have begun to pick up the pace of hiring, with the employment index rising to 51.4 from 50.1 in September. While two months does not make a trend, it is a welcome sign for an industry that has struggled to consistently hire for the past three years. Survey comments reveal a cautiously optimistic outlook, with firms citing higher demand but continued pressure from elevated costs and higher interest rates. One comment from the Information industry states that "Fuel prices are impacting many of our consumables and delivered goods. This has reduced margins, as we have not passed the expense to our customers because we believe it will be a short-term condition." Unfortunately, the highest reading of any index was once again the prices index, which fell slightly to 73.0 in October, now the seventh time this year the index has breached 70.0. Though the index remains elevated, it remains below the worst we saw during COVID when M2 surged by 42% and the prices paid index reached the low 80s.

Non-Manufacturing ISM Index *Seasonally Adjusted Unless Noted*	Oct-26	Sep-26	Aug-26	3-month *moving avg*	6-month *moving avg*	Year-ago *level*
Composite Index	**54.5**	54.9	55.4	54.9	54.6	52.0
Business Activity	**53.8**	56.5	61.7	57.3	57.4	54.0
New Orders	**55.9**	59.8	60.9	58.9	57.7	55.0
Employment	**51.4**	50.1	47.8	49.8	49.3	48.1
Supplier Deliveries (NSA)	**56.7**	53.2	51.3	53.7	53.9	50.8
Prices	**73.0**	74.0	72.6	73.2	71.5	69.5

Source: Institute for Supply Management

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