

January ISM Non-Manufacturing Index

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- The ISM Non-Manufacturing index was unchanged at 53.8 in January, beating the consensus expected 53.5. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mixed in January. The business activity index rose to 57.4 from 55.2, while the new orders index declined to 53.1 from 56.5. The employment index fell to 50.3 from 51.7, while the supplier deliveries index increased to 54.2 from 51.8.
- The prices paid index increased to 66.6 in January from 65.1 in December.

Implications: The ISM Services index remained unchanged in January, matching the highest level since late 2024 at 53.8. Looking at the details, eleven out of the eighteen major service industries reported growth for the month, while five reported contraction, and two reported no change. The major measures of activity were mixed in January, but all stand above 50, signaling growth. The business activity index continued to climb, reaching a fifteen-month high at 57.4. Meanwhile, the new orders index declined from a fifteen-month high last month but remains in solid expansion territory at 53.1. Survey comments paint a picture of headwinds, tailwinds, and crosswinds for service companies, which have benefitted from increased activity tied to the data-center buildout, but remain challenged by tariffs and uncertainty surrounding future trade policy. The good news is that some of this uncertainty seems to be easing, as service firms increased hiring for the first time since May last month. This continued in January, with the employment index dropping to 50.3, signaling expansion (albeit, at a slower pace than December). Still, breadth remains limited, as only five industries reported an increase in employment versus eight that reported a decline. The highest reading of any category was once again the prices index, which moved to 66.6. 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. We will continue to monitor the M2 money supply – which has grown very slowly over the last 3+ years – for whether these pressures turn inflationary. In other news this morning, ADP's measure of private payrolls increased 22,000 in January versus a consensus expected 45,000. Keep in mind that the official Employment Report, which was originally scheduled for release on Friday, has been delayed due to the partial government shutdown that began at the start of the month.

ISM Services: Services PMI Composite Index



Source: Institute for Supply Management/Haver Analytics

ISM Services: Prices Index



Source: Institute for Supply Management/Haver Analytics

Non-Manufacturing ISM Index Seasonally Adjusted Unless Noted	Jan-26	Dec-25	Nov-25	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	53.8	53.8	52.4	53.3	52.4	52.6
Business Activity	57.4	55.2	54.1	55.6	54.3	54.7
New Orders	53.1	56.5	52.8	54.1	54.0	51.5
Employment	50.3	51.7	48.7	50.2	48.9	51.4
Supplier Deliveries (NSA)	54.2	51.8	54.1	53.4	52.3	53.0
Prices	66.6	65.1	65.9	65.9	67.3	61.7

Source: Institute for Supply Management