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## February ISM Non-Manufacturing Index

- The ISM Non-Manufacturing index rose to 56.1 in February, beating the consensus expected 53.5. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mostly higher in February. The business activity index rose to 59.9 from 57.4, and the new orders index increased to 58.6 from 53.1. The employment index rose to 51.8 from 50.3, while the supplier deliveries index declined to 53.9 from 54.2.
- The prices paid index declined to 63.0 in February from 66.6 in January.

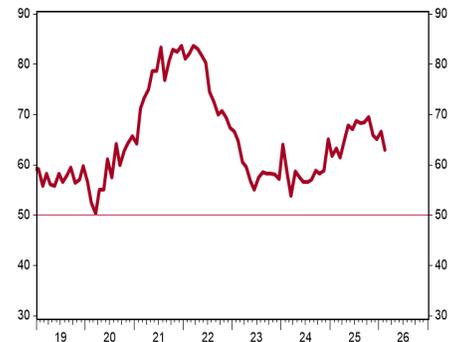
**Implications:** The service sector had positive momentum in February, as the ISM Services index jumped to 56.1, beating even the most optimistic forecast from any economics group surveyed by Bloomberg. The February reading is the highest since July of 2022. Looking at the details, fourteen out of the eighteen major service industries reported growth for the month, while three reported contraction, and one remained unchanged. The major measures of activity were mostly higher in February, with all standing above 50, signaling growth. The business activity index climbed for the fifth straight month to reach the highest level in almost two years at 59.9. Meanwhile, the new orders index jumped to 58.6 from 53.1 in January, marking eleven out of the last twelve months the index has expanded. Survey comments point to a variety of headwinds and tailwinds facing service companies, which have been affected by unusually cold weather and the recent Supreme Court ruling on tariffs. However, even with the shake-up from the tariff ruling, uncertainty surrounding future trade policy is waning. Notably, a survey comment from the Agriculture industry wrote, “Our industry seems to have adapted to the tariffs. The costs are embedded into the import cost the company has to shoulder.” Given the stability, service companies have increased hiring for the third consecutive month, with the employment index rising to 51.8. However, breadth remains limited, as only seven industries reported an increase in employment versus five that reported a decline. The highest reading of any category was once again the prices index, which moved to 63.0. 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 63,000 in February versus a consensus expected 50,000. We’re estimating Friday’s official report will show a nonfarm payroll gain of 33,000 with the unemployment rate remaining steady at 4.3%. In other recent news, cars and light trucks were sold at a 15.8 million annual rate in February, up 6.1% from January and down 1.6% from a year ago.

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>	Feb-26	Jan-26	Dec-25	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Composite Index</b>	<b>56.1</b>	53.8	53.8	54.6	53.1	53.2
<b>Business Activity</b>	<b>59.9</b>	57.4	55.2	57.5	55.1	54.5
<b>New Orders</b>	<b>58.6</b>	53.1	56.5	56.1	54.5	51.8
<b>Employment</b>	<b>51.8</b>	50.3	51.7	51.3	49.7	53.4
<b>Supplier Deliveries (NSA)</b>	<b>53.9</b>	54.2	51.8	53.3	52.9	53.4
<b>Prices</b>	<b>63.0</b>	66.6	65.1	64.9	66.4	63.3

Source: Institute for Supply Management