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March ISM Non-Manufacturing Index

- The ISM Non-Manufacturing index declined to 54.0 in March, lagging the consensus expected 54.9. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mixed in March. The business activity index declined to 53.9 from 59.9, while the new orders index increased to 60.6 from 58.6. The employment index fell to 45.2 from 51.8, while the supplier deliveries index rose to 56.2 from 53.9.
- The prices paid index increased to 70.7 in March from 63.0 in February.

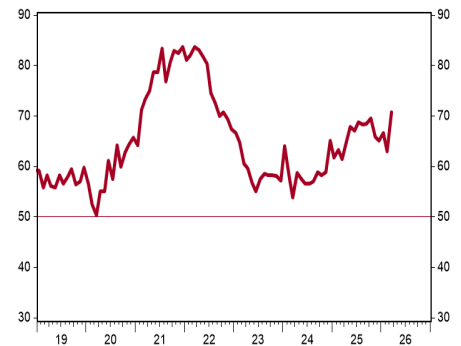
Implications: After expanding at the fastest pace in over three years last month, the service sector expanded once again in March, albeit at a slower pace, as the ISM Services Index declined to 54.0 from 56.1. Underlying activity in the sector continues to show strength, as the decline was driven largely by uncertainty surrounding the war in Iran. Looking at the details, thirteen out of the eighteen major service industries reported growth in March, while three reported contraction and two remained unchanged. The major measures of activity were mixed. After climbing for five consecutive months, the business activity index declined to 53.9 from 59.9. Meanwhile, the new orders index once again jumped to 60.6, reaching the highest level in more than three years. Both the business activity index and the new orders index have expanded in at least ten out of the last twelve months. Survey comments paint a picture of both headwinds and tailwinds for service companies which briefly benefitted from a reduction in tariffs from the Supreme Court ruling in mid-February, but now face increased economic uncertainty surrounding the Middle East. As a result, companies which started to increase hiring efforts at the start of the year brought hiring efforts to a halt in March. After the three months of expansion, the employment index fell into contractionary territory in March, declining to 45.2 from 51.8, although breadth in the decline was limited, as only six industries reported a decline in employment versus five that reported growth. Unfortunately, the highest reading of any index was once again the prices index, which jumped to 70.7 in March, the highest level since October 2022. Though the index remains elevated, it is still well below the worst we saw during the COVID supply-chain disruptions, when the index reached the low 80s. While the ongoing war in Iran is expected to affect input prices in the short-term, we will continue to monitor the M2 money supply – which has grown very slowly over the last 3+ years – for whether these signals turn into long-term inflationary pressure.

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>	Mar-26	Feb-26	Jan-26	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	54.0	56.1	53.8	54.6	53.7	50.8
Business Activity	53.9	59.9	57.4	57.1	55.8	55.5
New Orders	60.6	58.6	53.1	57.4	56.1	50.9
Employment	45.2	51.8	50.3	49.1	49.3	46.0
Supplier Deliveries (NSA)	56.2	53.9	54.2	54.8	53.5	50.6
Prices	70.7	63.0	66.6	66.8	66.8	61.4

Source: Institute for Supply Management