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May ISM Non-Manufacturing Index

- The ISM Non-Manufacturing index increased to 54.5 in May, beating the consensus expected 53.8. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mostly higher in May. The business activity index rose to 57.7 from 55.9, and the new orders index increased to 57.3 from 53.5. The employment index declined slightly to 47.9 from 48.0, and the supplier deliveries index fell to 55.2 from 56.8.
- The prices paid index increased to 71.3 in May from 70.7 in April.

Implications: Activity in the sector that drives two-thirds of the economy picked up speed in May, with the ISM Services Index increasing to 54.5, marking the 23rd straight month in expansion territory. The pickup was due to increases in both business activity and new orders, despite service companies experiencing the fastest price growth since 2022. Looking at the details, overall growth was broad in May with seventeen out of the eighteen major service industries reporting growth – only the Real Estate industry reported contraction. The major measures of activity were mostly higher in May. The business activity index rose to 57.5 from 55.9, while the new orders index rebounded to 57.3 after a steep fall from a three-year high of 60.6 in March. Both the business activity index and the new orders index have shown expansion in each of the last twelve months. Although growth continues at a solid pace, caution remains surrounding the global economic landscape. Survey comments reveal that inflationary pressures due to supply chain issues and elevated fuel costs are seeping into certain product categories. As a result, many service companies are putting internal projects on hold until stability returns. Additionally, companies that began to increase hiring efforts at the start of the year have since brought hiring to a standstill. After starting the year in expansion, the employment index has since fallen into contraction, declining once again to 47.9 in May. Unfortunately, the highest reading of any index was once again the prices index, which increased to 71.3 in May, the highest level since August 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 slowly over the last 3+ years – for whether these signals turn into long-term inflationary pressure. In other recent news, cars and light trucks were sold at a 16.1 million annual rate in May, up 1.0% from April, and up 2.7% 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>	May-26	Apr-26	Mar-26	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	54.5	53.6	54.0	54.0	54.3	50.2
Business Activity	57.7	55.9	53.9	55.8	56.7	50.7
New Orders	57.3	53.5	60.6	57.1	56.6	47.2
Employment	47.9	48.0	45.2	47.0	49.2	50.4
Supplier Deliveries (NSA)	55.2	56.8	56.2	56.1	54.7	52.5
Prices	71.3	70.7	70.7	70.9	67.9	67.8

Source: Institute for Supply Management