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August ISM Non-Manufacturing Index

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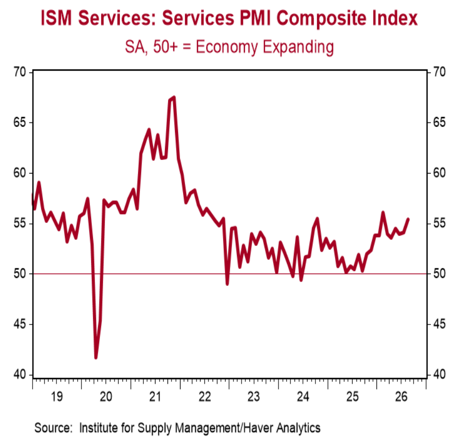
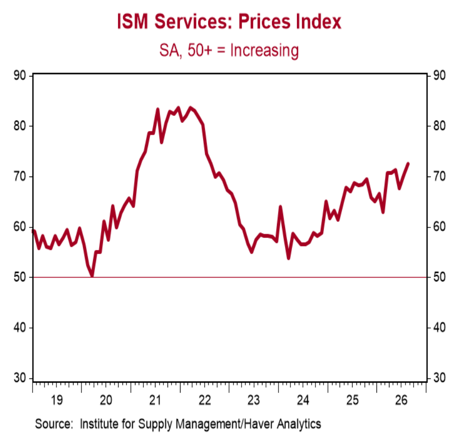
- The ISM Non-Manufacturing index rose to 55.4 in August, beating the consensus expected 54.1. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mostly higher in August. The business activity index increased to 61.7 from 59.1 and the new orders index rose to 60.9 from 57.2. The employment index increased to 47.8 from 47.4 while the supplier deliveries index fell to 51.3 from 52.8.
- The prices paid index rose to 72.6 in August from 70.3 in July.





Implications: Service sector expansion picked up steam in August, with the ISM Services Index rising to 55.4 from 54.1 in July. Faster growth in business activity and new orders outweighed continued price pressure and soft hiring. Despite the conflict in the Middle East (including the downstream effect on energy prices) and the often-changing tariff landscape, service activity has expanded on the faster-end of post-pandemic levels in 2026, with the services index reading above 53.0 for nine consecutive months, the longest stretch since 2022. Looking at the details, overall growth was broad in August, with twelve out of the eighteen major service industries reporting expansion, while five reported contraction, and one reported no change. The major measures of activity were mostly higher in August. The business activity index rose to 61.7 from 59.1, boosted in part by positive summer seasonality, and reaching the fastest pace since late 2022. The new orders index also improved, registering 60.9 and reaching a three-year high. Both forward-looking indices have shown expansion in each of the last twelve months. As caution surrounding supply-chain issues drag on, confidence in the near-term economic outlook remains soft. As a result, service sector hiring weakened once again, with the employment index remaining in contraction territory at 47.8. The services industry has struggled to consistently hire for about three years as the employment index has rarely registered above 50.0 (which would signal expansion) since 2023. Unfortunately, the highest reading of any index was once again the prices index, which rose to 72.6 in August, now the fifth time in the last six months the index has breached 70.0. Though the index remains elevated, it is well below the worst we saw during the COVID supply-chain disruptions, when the index reached the low 80s. While the ongoing conflict in Iran is expected to affect input prices in the short-term, we will continue to monitor the M2 money supply for signals of sustained movements in overall inflation. The money supply is up 5.4% in the past year versus the 6.0% trend prior to COVID when inflation remained low, suggesting that once the conflict in the Middle East is resolved, inflation may drop faster than most investors expect. In other recent news, cars and light trucks were sold at a 16.8 million annual rate in August, up 2.6% from July, and up 4.3% from a year ago.

Non-Manufacturing ISM Index *Seasonally Adjusted Unless Noted*	Aug-26	Jul-26	Jun-26	3-month *moving avg*	6-month *moving avg*	Year-ago *level*
Composite Index	**55.4**	54.1	54.0	54.5	54.3	51.9
Business Activity	**61.7**	59.1	55.4	58.7	57.3	54.6
New Orders	**60.9**	57.2	55.1	57.7	57.4	55.7
Employment	**47.8**	47.4	51.2	48.8	47.9	46.9
Supplier Deliveries (NSA)	**51.3**	52.8	54.4	52.8	54.5	50.3
Prices	**72.6**	70.3	67.7	70.2	70.6	68.3

Source: Institute for Supply Management