ISM Services Posts Third Consecutive Gain to 54.4 in December 2025

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Headlines

- **The Institute for Supply Management (ISM) reported that aggregate services activity demonstrated expansion** in December 2025, rising to 54.4.
- **Business Activity saw its strongest reading of the year in December** at 56.0.
- **Hiring among service industry businesses saw an expansionary reading for the first time since May,** posting a result of 52.0 for December 2025.
- **Pricing pressures among service providers remained elevated in December 2025,** easing only slightly to 64.3.
- **Services Exports posted its first expansionary result since June** and only the second such gain since April's U.S. trade policy overhauls.

Details

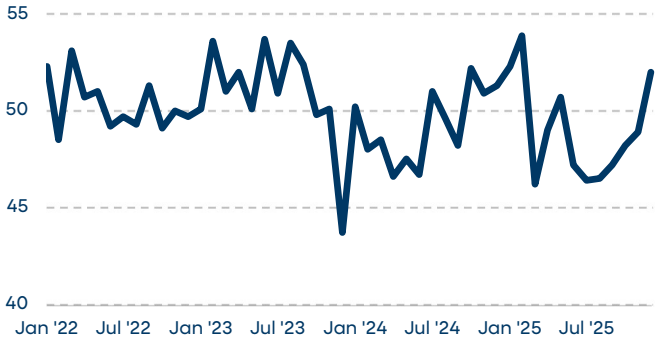
The ISM Services PMI survey rose to 54.4 in December 2025, the topline index's strongest reading since October 2024. Services industry strength was demonstrated across critical components of the survey, including Employment, current Business Activity, and New Orders. Survey respondents consistently cited ongoing cost pressures, which was again evident in the Prices component of the December 2025 ISM Services report. Some adjustment to U.S. tariff and trade policy upheaval appears to be surfacing for U.S. service providers as both the Imports and Exports components of the ISM Services survey posted expansionary readings for the month—the first such paired result since June.

The ISM Services PMI diffusion index indicates the net percentage of service industry businesses that are experiencing expanding or contracting activity across various categories, with a reading below 50 indicating net contraction across the services sector. December 2025's topline reading of 54.4 puts U.S. service providers at seven consecutive months of expansion to close out the year, and a run of three months' worth of accelerating gains.

The Employment component of the ISM Services survey rose to 52.0 in December 2025 (see Figure 1). After a strong start to 2025, hiring among services providers had posted only one monthly expansionary reading since February (50.7; May 2025). While consumer spending on durable and nondurable goods struggled to maintain momentum throughout 2025, spending on services (adjusted for inflation) maintained a solid pace. Survey respondents from the Transportation &

Warehousing businesses reported positive holiday season impacts, and Retail industry hiring also rose for December. Service industries reporting weaker labor market conditions were largely concentrated in office-using and Professional Services industry categories.

Figure 1: ISM services – employment (SA)

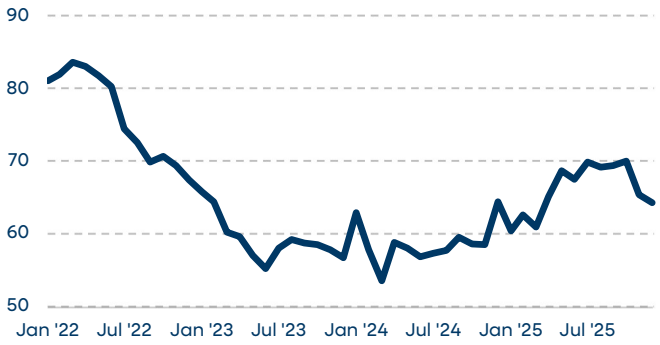


Source: Institute for Supply Management (ISM)

New Orders among U.S. service providers posted a reading of 57.9 in December 2025, this component index's strongest reading since September 2024 (59.1). New Orders is the most sharply accelerating component of ISM Services PMI index over the past six months, seeing a 6.6 percentage point gain in the diffusion index. Only May 2025's New Orders reading was contractionary (46.4) across the year's results. A steady stream of New Orders is reflective of ongoing consumer spending despite inflationary pressures facing households. Pairing this indicator of a healthy outlook with persistent strength in the Business Activity component index—and indicator of current conditions—U.S. services businesses are clearly carrying the load for U.S. economic gains that have outperformed expectations in the second half of 2025. That skew in economic performance versus the nation's manufacturing sector looks set to continue in 2026.

The Prices component of the ISM Services report decreased minimally in December 2025, falling to 64.3 from November's 65.4 (see Figure 2). This result is down from a 2025 peak of 70.0 (October). Cost pressures re-accelerated to open the year and averaged an index reading of 66.12 in 2025, stronger than the still-high 58.73 posted in 2024 as overall demand pressures have proven persistent even after the worst of the post-pandemic inflationary conditions began to ease. Upstream cost pressures, among U.S. heavy industry sectors, eased more rapidly through the second half of 2025, and oil prices have been sustained below $60 per barrel (West Texas Intermediate) in recent months. These trends should help service businesses' own cost pressures to subside in the first half of 2026 barring a re-escalation of U.S. trade and tariff policy impacts.

Figure 2: ISM services – prices (SA)



Source: Institute for Supply Management (ISM)

In an indication of potential stability regarding U.S. trade policy impacts, both Exports and Imports among service providers saw expansionary conditions in the December 2025 ISM Services report. Exports (54.2) bounced above the expansionary threshold of 50 for the first time since June, and Imports (50.3) completed a full 12 months' worth of results above that benchmark. The U.S. economy is a net exporter of services, placing the weight of overall economic performance more squarely on the Exports side of this balance. Thus, a return to an expansionary reading could indicate that retaliation against U.S. service industry exports from global trade partners is itself stabilizing. Domestic consumption will always be the primary determinant of U.S. business strength, but trade-related performance will offer a litmus test for overall volatility potential in the near-term.

Disclosures

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