



ISM Services Gains on Rising Business Activity and New Orders

Headlines

- **The Institute for Supply Management (ISM) reported that topline Services activity** rose to 52.4 in October 2025, its highest reading since February.
- **New Orders and Business Activity components continued volatile month-to-month performances**, both posting strong gains in October 2025.
- **Employment among service providers remained below the survey's expansionary threshold** but managed a gain to 48.2 for October 2025.
- **Pricing pressures pushed higher in October 2025** for service industry businesses, with the Prices component index hitting 70.0.
- **Services Export Orders** posted a fourth consecutive contractionary reading in October 2025 at 47.8.

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Details

The ISM Services PMI survey rose to 52.4 in October 2025, its strongest result since February of this year. Business Activity and New Orders—representations of both current and future service industry growth potential—led this month's overall gains. The ISM Services PMI report contrasts with the organization's Manufacturing PMI survey, maintaining a foothold in expansionary territory while manufacturers have persistently endured contraction this year. This dichotomy is reflective of the overall condition of the U.S. economy as consumers continue to spend on services and low(er)-cost, immediate return experiences. Continuing cost pressures for service providers are also reflective of broader U.S. economic trends, which offers an avenue for deceleration in the coming months if traditional price pass-through mechanisms hold.

The ISM Services PMI diffusion index indicates the net percentage of service providers who are experiencing expanding or contracting activity across various categories, with a reading above 50 revealing net expansion across services sectors.

The Employment component of the ISM Services Index came in at 48.2 in October 2025—rising from September's 47.2 result. This month's reading represents a fourth consecutive month of gains for the metric, and the highest reading since May 2025 (50.7). But hiring among services-oriented businesses remains undermined by economic uncertainty and productivity gains, with the Bureau of Economic Analysis' Output per Hour productivity measure sustaining growth at and above trends—the strongest showing since before the Financial



Crisis. Given that ongoing demand is being satisfied despite minimal hiring, the ISM Services PMI's Employment sub-index is likely to remain slightly contractionary into the new year.

Business Activity among service providers jumped to 54.3 in October 2025. This measure of current demand has been volatile since April but has only posted one reading in contractionary territory during that time (September 2025; 49.9). This trend is consistent with broader uncertainty regarding the U.S. economy's potential to sustain growth, which itself contrasts with continued consumer spending growth. Spending remains concentrated in the services side of the U.S. economy, despite ongoing inflation and slowing wage growth.

On a significantly positive note, the New Orders component of the ISM Services PMI survey rose to 56.2, the sub-index's strongest reading since October 2024 (56.7; see Figure 1). While Business Activity represents current demand conditions, New Orders indicates that strength in services demand is set to continue.

Figure 1: ISM Services – New Orders (SA)



Source: Institute for Supply Management

Services industry cost pressures continued to mount in October 2025. The Prices sub-index of the ISM Services Survey rose to 70.0 for the month. This is the most elevated reading for service providers' costs since November 2022 (70.1), as the U.S. economy dealt with a renewed post-pandemic demand push as well as supply chain chaos. Prior to that extraordinary environment, services businesses had not seen the ISM Prices component post a result in the 70s since May 2011 (70.3; see Figure 2). But there

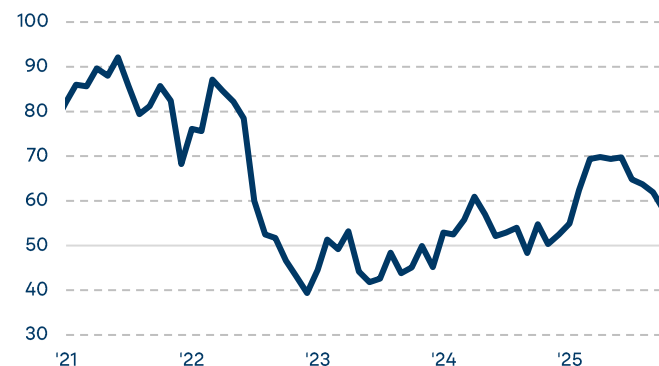
is hope that cost pressures may ease in the coming months. Oil prices are low, relatively speaking, and manufacturers' prices according to the ISM Manufacturing Survey are clearly in retreat (see Figure 3). These upstream conditions suggest that the 2025 mid-year cost pressure push has subsided, suggesting that service industries—including retailers—have limited structural increases headed their way. Of course, the continually shifting landscape of U.S. trade and tariff policy can disrupt this potential at any time. Until the U.S. Federal government's shutdown is resolved and consistent data reporting is resumed, the ISM surveys' readings will provide insight into business cost trends.

Figure 2: ISM Services – Prices (SA)



Source: Institute for Supply Management

Figure 3: ISM Manufacturing – Prices (NSA)



Source: Institute for Supply Management



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