

ISM Services Index Fell to 50.8 in March 2025

- **The ISM Services PMI declined to 50.8 in March 2025, weakest reading since June 2024**
- **Business Activity held up in March 2025 at 55.9**
- **Employment among service providers in March 2025 gave back recent gains, falling sharply to 46.2**
- **Cost pressures for services providers eased marginally in March 2025, falling to 60.9**

The ISM Services PMI fell to 50.8 in March 2025, from 53.5 in the month prior. Contrary to February's across the board gains, the only sub-index among the report's details to continue its recent momentum was Business Activity, which rose to its strongest reading of the year thus far. Employment fell back into contractionary territory, while New Orders among service providers retreated to a nine-month low but remained slightly above the index's expansionary threshold.

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 ISM Services PMI report's Business Activity component index rose to 55.9 in March 2025, up from 54.4 in February. Current conditions, as represented by Business Activity, were the only component of the report that maintained the collective services sector's recent upward momentum. The composite index had risen from a trough of 49.2 in June 2024 to a sustained expansionary pace with results in the mid-50s through 2024Q4 and the first two months of this year. With other components such as New Orders, Backlog of Orders, and Employment all taking a turn for the worse in the March 2025 numbers, the months ahead look like Business Activity is set to reverse course to some degree as well.

The ISM Services PMI's Employment component index declined significantly in March 2025, falling below the expansionary threshold of 50 to a reading of 46.2 for the month. After hitting a one-year high in February, March 2025's decline now places the employment sub-index at its lowest reading since the throes of the pandemic (July 2020; 42.1). Some of this month's reversal could be due to giveback after the surge that followed broadly weak hiring numbers throughout 2024. However, uncertainty resulting from the drastic economic policy action by way of the imposition of tariffs on all imported goods was likely a contributor to the fall as well. New hiring could be on hold for some time if so, as retailers adjust to new cost & price influences and evaluate how consumers will react.

Service providers' cost pressures improved modestly in March 2025, but remain a concern. The Prices category of the ISM Services PMI for March 2025 fell to 60.9, down from 62.5 in February. This is the fourth consecutive month of a Prices reading above 60, and it has been sustained above the 50.0 threshold

throughout the post-pandemic era. With more cost increases set to make their way through the U.S. economy's supply chain as a result of tariffs, service providers' own prices are likely to see further moves higher which will inevitably lead to higher consumer price inflation through the remainder of 2025.

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