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ISM Services Index Increased to 50.8 in June 2025

- **The ISM Services PMI increased to 50.8 in June 2025, recovering to expansionary territory after May's dip**
- **New Orders rose in June 2025 to 51.3, bouncing back from their worst showing in a year in the month prior**
- **Current Business Activity posted the second-strongest rise among components in June 2025, coming in at 54.2**
- **Cost pressures fell to a still-high 67.5 for June 2025**

The ISM Services PMI rose to 50.8 in June 2025, bouncing back from May's dip into contractionary territory (49.9)—its first in almost a year. New Orders and Business Activity led the month's charge higher. Employment among service providers, however, fell back into contraction at 47.2 from May's sojourn above the survey's breakeven level in May (50.7). Price pressures faced by the U.S. economy's service sector remain elevated, with June 2025's Prices component index falling only modestly to 67.5.

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 New Orders component index posted a sharp turnaround in June 2025, rising back into expansionary territory at 51.3 for the month. This component of the topline survey dipped below breakeven levels in May (46.4) for the first time since June 2024. New Orders gains saw the strongest gain among component indices in June's report in terms of index-point gains. Averaging through the volatility in New Orders results of recent months, New Orders among service industry businesses is at 50.0 for the past three months. Survey respondents highlighted comments skews somewhat positive in the June report, with suggestions that "business is starting to increase," or "[b]usiness seems to be picking up" but that uncertainty regarding broader macroeconomic influences including housing affordability remain concerns.

The ISM Services PMI's Employment component fell into contraction at 47.2 in June 2025's report. This is the weakest reading for Employment among service providers since June 2024 and offers a different perspective on job creation in services sectors of the U.S. economy than the Bureau of Labor Statistics' (BLS) Service-Providing employment category, which rose at 1.7 times the pace of June 2024's growth rate. Professional & Business Services, however, did decline in the June 2024 Employment Situation report published by the BLS—that broad sector's third monthly decline through the first six months of 2025.

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Also offering an alternative perspective to other economic data released today is the June 2025 New Export Orders result from the ISM Services PMI report. This sub-index rose to 51.1 in June, stepping back into expansionary territory for the first time since February. The Commerce Department, however, released data showing that showed exports falling by 4.0% in May. This is consistent with the May 2025 ISM New Export Orders contractionary readings below the breakeven threshold of 50 for March through May. The ISM result, by its nature, is more forward looking than the actual exports number published by the Commerce Department, suggesting that resumed exports gains could be on tap for the months ahead.

Service providers' cost pressures cooled slightly in June 2025. The Prices component of the ISM Services PMI report fell to 67.5 for the month, down from 68.7 in May. This result comes ahead of July's planned reinstitution of the heaviest of the "Liberation Day" tariffs applied to imports into the U.S. The July 9 deadline for the move is expected to reignite cost increases for U.S. businesses and, eventually, feed higher consumer price inflation.

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