



ISM Services Led Higher by New Orders, Topline Rises to 52.0

Headlines

- **ISM Services PMI rises to 52.0 for August 2025**
- **New Orders posts strongest gain since September 2024**
- **Services hiring remains in contraction, but halted a two-month slide**
- **Business Activity rose to 55.0 in August 2025, highest mark since March**

Details

The ISM Services PMI survey rose modestly to 52.0 in August 2025, up from 50.1 in July. Gains in Business Activity and New Orders led the month's bounce, which outpaced PNC's expected rise. Both Inventory Change and Inventory Sentiment pitched in more modest gains to round out the August report's strong points. Like much of the U.S. economy's data catalog, however, Services industry hiring remains a concern out of this month's ISM Services results.

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 report posted a slight rise to 46.5 in August 2025. The ISM survey has yielded three consecutive months' worth of contractionary readings on the hiring front—a streak last seen in the three months through June 2024. The Professional & Business Services aggregate of the Bureau of Labor Statistics' Employment Situation report, due for its own monthly update tomorrow (Friday, September 5) has also declined for three consecutive months through July, and Leisure & Hospitality Services hiring has been exceptionally weak in recent months. Lackluster services industry job creation reiterated by the ISM Services survey is indicative of a combination of businesses having adequate staffing to meet current demand and expressed uncertainty regarding economic prospects across the near-term horizon.



Figure 1: ISM Services – Employment Index



The New Orders and Business Activity components of the ISM Services report posted strong gains in August 2025.

New Orders rose to 56.0 after oscillating around the contractionary threshold of 50 in recent months. Business Activity has also flirted with contractionary territory throughout the first half of 2025, though not dipping below 50 like the New Orders component did in May. While August's forward-looking New Orders and Business Activity gauges inject a degree of calm regarding the state of the U.S. economy regarding the coming months—given that nearly 70% of consumer activity is services-oriented—there is enough broader concern about labor market trends to relegate these gains to a floor-setting outcome rather than pinning uptrend hopes to them, for now.

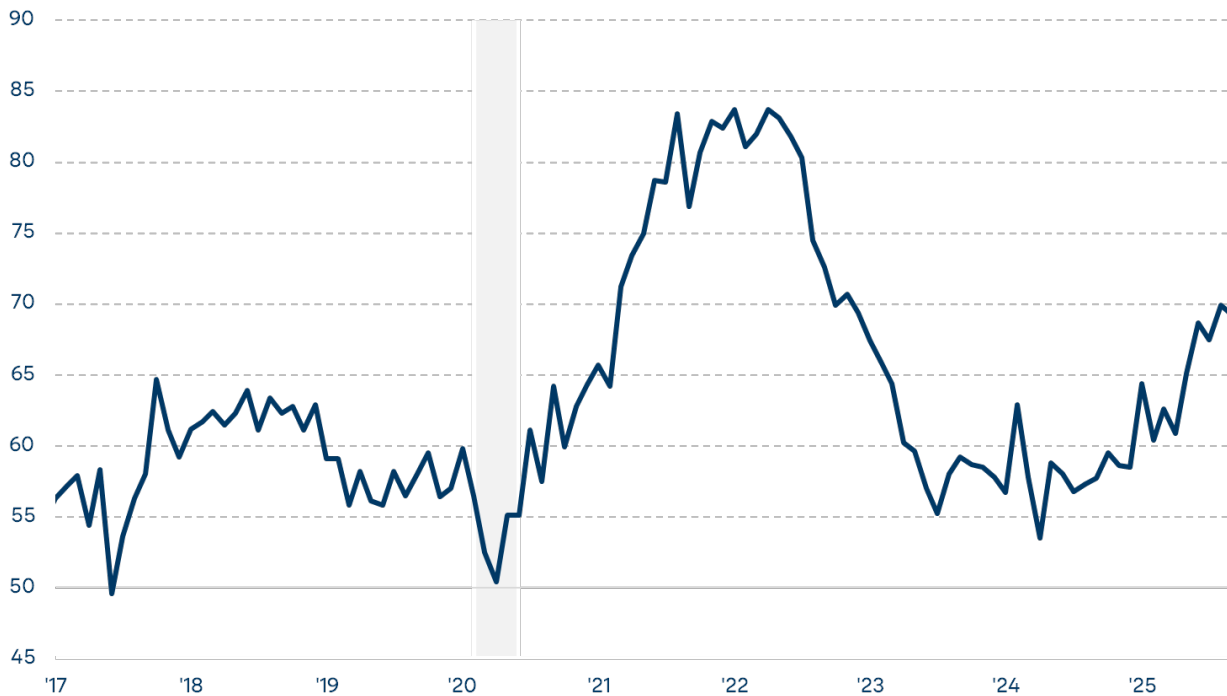
Service providers' cost pressures remained high in August 2025, with the ISM Services PMI's pricing component falling only slightly to 69.2.

The persistently high Prices component results indicated by services providers suggest that consumers can expect inflation to persist in the months to come, defying the Federal Reserve's ongoing efforts to reach a 2% average pace. Expectations of interest rate cuts aimed at stemming labor market weakness will not help the rising cost/price pressure dynamic in the U.S. economy. One moderating cost pressure for service-industry businesses, however, is wage growth. Looking at both ends of the spectrum of services industry wages, both Professional & Business Services and Leisure & Hospitality Services wage growth have fallen sharply since mid- to late-2024. This leaves households and consumers in a weaker state regarding purchasing power moving forward,



as inflation continues its assault. But businesses may at least be able to plan for other cost pressures, including tariffs, without resorting to labor cost cuts in the near term.

Figure 2: ISM Services – Prices Paid Index



Please reach out with any questions,

PNC Economics

Kurt Rankin, Senior Economist

economics@pnc.com