



August 8, 2025

ISM Services Index Fell to 50.1 In July 2025, Retreat Seen Across All Components

- The ISM Services PMI decreased to 50.1 in July 2025.
- New Orders fell in July 2025 to 50.3.
- Current Business Activity fell to 52.6 in July 2025, giving back a significant portion of June's bounce.
- Cost pressures on service providers spiked to a nearly three-year high in July 2025.

The ISM Services PMI fell to 50.1 in July 2025 and now sits precariously on the verge of contractionary territory. New Orders and Business Activity declined for the month, though remain slightly expansionary overall, while the report's Employment component fell further into contraction. Price pressures faced by the U.S. economy's service sector posted their highest result since November 2022. The ISM Manufacturing Survey, which was released on August 1, has posted several months' worth of declines already. The ISM Services PMI results for July 2025 suggest that rising import prices and a lack of domestic production are set to push service providers over the edge as well.

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 resumed its downward trend in July 2025 after a bounce in June. The month's result was 50.3—just barely above the index's breakeven threshold. The New Orders index has been sliding steadily downward since September 2024 when it reached 59.1. "Anticipation of the final tariff impacts is resulting in delayed planning" serves as a demonstrative comment from survey respondents. With uncertainty and flat-out inability to manage supply chains and increasing costs, the softening New Orders outlook for service-oriented businesses offers a preview of diminishing economic growth potential in the remaining months of 2025.

The ISM Services PMI's Employment component fell to 46.4 in the July 2025 report—its weakest result since March (46.2). Service providers' costs are rising at a pace not seen since 2022, and that includes service industry wage rates which continue to outpace inflation at both the high end (Professional & Business Services) and the lower end (Leisure & Hospitality Services) of the pay scale. As service businesses look ahead expecting weaker demand, as indicated by New Orders weakness, inflationary pressure on non-wage costs will apply further downward pressure to service industry strength.

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Service providers' cost pressures jumped to 69.9 in July 2025 according to the ISM Services PMI report. This is the strongest reading for the Prices component since November 2022 (70.1), at which time this component index was in decline from the supply side disruption-induced price spiral coming out of the pandemic. The Prices component of the ISM Services PMI began rising in earnest in December 2024 and jumped back to pandemic-era highs in April of this year. Tariff policy implementation remains abrupt and uneven, but the overall cost of goods for sale and as inputs into service provision is no doubt rising. With domestic production not willing or unable to take up the slack, service industry businesses are likely to see weaker demand in the months ahead as consumers throw in the towel on bargain hunting and shift their consumption patterns altogether.



	Range	Median	Last Actual	PNC's Comment
Fed Funds Rate Target Range Mid-Point (after the FOMC meeting on 9/17/25)	4.125-4.375%	4.125%	4.375%	4.125%. The FOMC is forecast to drop the fed funds rate by 25 basis points in September.
July CPI (8/12, Tuesday)	0.2-0.3%	0.2%	0.3% (June)	0.2%. Overall CPI growth is projected to slip modestly in July, partly due to lower energy prices.
July CPI (ex-food & energy) (8/12, Tuesday)	0.2-0.4%	0.3%	0.2% (June)	0.3%. Core CPI growth is expected to pick up slightly in July, partially because of higher goods prices from tariffs.
July PPI (8/14, Thursday)	0.1-0.4%	0.2%	0.0% (June)	0.2%. Overall producer prices are forecast to rise in July after a flat reading in June.
July PPI (ex-food & energy) (8/14, Thursday)	0.1-0.4%	0.2%	0.0% (June)	0.2%. Core producer prices are projected to accelerate in July after an unchanged print in June.
Initial Claims, Wk of 8/9/25 (8/14, Thursday)	220-230K	226K	226K (8/2/25)	230K. Initial jobless claims are expected to climb modestly but remain low.
July Retail Sales (8/15, Friday)	0.2-0.8%	0.5%	0.6% (June)	0.4%. Overall retail sales growth is projected to moderate in July amid sharply weaker job growth.
July Retail Sales (ex-auto) (8/15, Friday)	0.0-0.5%	0.3%	0.5% (June)	0.3%. Core retail sales growth is projected to slow in July on rising unemployment.
July Export Price Index (8/15, Friday)	0.0-0.2%	0.0%	0.5% (June)	0.0%. Export prices are forecast to be flat in July on the heels of a sharp bump in June.
July Import Price Index (8/15, Friday)	0.0-0.2%	0.0%	0.1% (June)	0.1%. Import prices are expected to increase modestly in July after a slight rise in June.
July Industrial Production (8/15, Friday)	-0.2 to 0.2%	0.0%	0.3% (June)	0.0%. Total industrial production growth is projected to be unchanged in July after a 0.3% upturn in June.



	Range	Median	Last Actual	PNC's Comment
July Capacity Utilization (8/15, Friday)	77.3-77.8%	77.6%	77.6% (June)	77.6%. Capacity utilization is expected to remain unchanged in July on flat industrial production growth.
June Business Inventories (8/15, Friday)	0.1-0.3%	0.2%	0.0% (May)	0.1%. Business inventory growth is projected to resume in June after an unchanged print in May.
Aug U. of Mich. Consumer Sentiment (prelim) (8/15, Friday)	60.0-63.0	62.2	61.7 (July)	62.2. Consumer sentiment is forecast to improve slightly in the preliminary August reading on higher stock prices.



Monthly Calendar of Economic Data: Aug 2025

Aug 12

Consumer Price Index

	Total	Core
May	0.1	0.1
June	0.3	0.2
July		

Aug 14

Producer Price Index

	Total	Core
May	0.3	0.4
June	0.0	0.0
July		

Unemployment Claims (000)					
Mar	Apr	May	June	July	Aug
224	224	229	250	228	226
223	216	228	246	221	
225	223	226	237	217	
225	241	239	232	219	
219		248			

Aug 15

Retail Sales		
	Total	Ex-Autos
May	-0.9	-0.2
June	0.6	0.5
July		

	Industrial Prod	Cap Util
May	0.0	77.5
June	0.3	77.6
July		

Mfg and Trade		
	Inv	Sales
Apr	0.0	-0.2
May	0.0	-0.4
June		

July Import Price Index

Aug. U. Mich. Consumer Sentiment (prelim)

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