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March ISM Non-Manufacturing Index

- The ISM Non-Manufacturing index declined to 50.8 in March, lagging the consensus expected 52.9. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mostly lower in March. The new orders index declined to 50.4 from 52.2, while the business activity index increased to 55.9 from 54.4. The employment index fell to 46.2 from 53.9 and the supplier deliveries index declined to 50.6 from 53.4.
- The prices paid index declined to 60.9 in March from 62.6 in February.

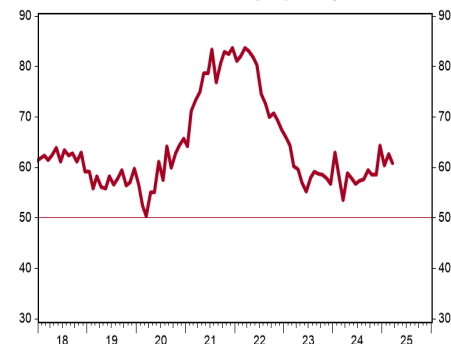
Implications: The ISM Services index missed consensus expectations and declined to 50.8 in March, signaling continued expansion in the sector that drives two-thirds of the US economy, but at a slower pace. Looking at the details, most major measures of activity moved lower in March, with growth split between industries (ten reporting growth versus seven reporting contraction). While the service sector has fared much better over the last couple of years compared to the [manufacturing sector](#), service companies will now have to contend with uncertainty surrounding tariffs (whether they are actually put in place or not, and to what degree), and the resulting changes in supply chains. Moreover, DOGE-related cuts on government spending have the potential to impact the service industries that were lifted by it in recent years. Despite an increase in comments on tariff impacts and declining governmental spending, there was a close balance in near-term sentiment between panelists with good outlooks versus those expecting declines. That can be seen in movement from the new orders index, which settled near equilibrium at 50.4 (a nine-month low). Meanwhile, business activity remained resilient, with the index rising to a solid 55.9. The biggest drop by far came from the employment index: last month, the employment index increased to the fastest pace since 2021 at 53.9. In March, it dropped 7.7 points to the lowest level since 2023, indicating the uncertainty of business conditions as companies scramble to adjust their outlooks. Finally, the highest reading of any category was once again the prices index, which declined to 60.9 in March, with fourteen out of eighteen major industries paying higher prices. Inflation was a major problem before any new tariffs and will continue to be one if the Federal Reserve does not have the resolve to let tight money suffocate the embers of inflation that remain. As for the economy, the service sector remains a lifeline for growth – for now.

ISM Services: Services PMI Composite Index
 SA, 50+=Increasing



Source: Institute for Supply Management/Haver Analytics

ISM Services: Prices Index
 SA, 50+ = Economy Expanding



Source: Institute for Supply Management/Haver Analytics

Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Mar-25	Feb-25	Jan-25	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	50.8	53.5	52.8	52.4	53.2	51.3
Business Activity	55.9	54.4	54.5	54.9	56.0	57.0
New Orders	50.4	52.2	51.3	51.3	53.2	54.2
Employment	46.2	53.9	52.3	50.8	51.1	48.5
Supplier Deliveries (NSA)	50.6	53.4	53.0	52.3	52.6	45.4
Prices	60.9	62.6	60.4	61.3	60.9	53.5

Source: Institute for Supply Management