

# U.S. Data Review

- ISM services: indicating expansion for the eighth consecutive month

**Lawrence Werther**  
lawrence.werther@us.daiwacm.com  
+1-212-612-6393  
**Brendan Stuart**  
brendan.stuart@us.daiwacm.com  
+1-212-612-6172

## ISM Services Index

- The Institute for Supply Management’s services index rose 0.7 percentage point in February to 53.5 percent (versus the Bloomberg median expectation of a 0.3 percentage point drop to 52.5 percent). Resultantly, the latest reading indicated that the services sector remained in expansion territory for the eighth consecutive month (and 24th time in the past 26 months) after hitting a soft patch in mid-2024. The improvement in the composite measure was relatively broad-based, with three of the four subindexes posting increases in the latest month (and all four remaining above the critical threshold of 50 percent). Of note, similar to its manufacturing counterpart, uncertainty surrounding tariffs and other federal policies weighed on the minds of respondents from service-providing firms. As noted by Steve Miller, Chair of the Institute for Supply Management Services Business Survey Committee, in the official release: “Anxiety continues; however, over the potential impact of tariffs. Some respondents indicated that federal spending cuts are having negative impacts on their business forecasts.” Even amid the uncertainty, however, we note that the latest report suggests that the broader economy is still in solid shape.
- The employment index posted the largest month-to-month increase among the factoring subindexes, rising 1.6 percentage points to 53.9 percent – its fifth consecutive month in expansion territory and the highest reading since an observation of 54.6 percent in December 2021. The new orders index also firmed up in February, increasing 0.9 percentage point to 52.2 percent – its eighth consecutive above-50 reading. That said, comments indicating that firms were attempting to “get ahead of the Canadian tariffs” potentially introduce downside risk to future reports (charts, below).

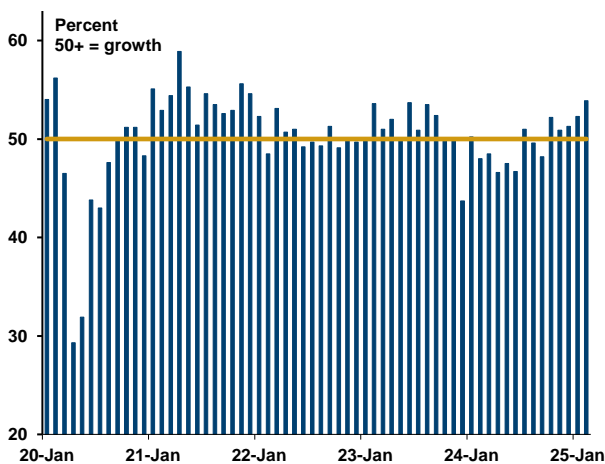
## ISM Services: Monthly Indexes\*

	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
<b>ISM Nonmfg. Composite</b>	55.8	52.5	54.0	52.8	53.5
<b>Business activity</b>	57.7	55.5	58.0	54.5	54.4
<b>New orders</b>	56.7	54.2	54.4	51.3	52.2
<b>Employment</b>	52.2	50.9	51.3	52.3	53.9
<b>Supplier deliveries*</b>	56.4	49.5	52.5	53.0	53.4
<b>Prices</b>	58.6	58.5	64.4	60.4	62.6

\* The supplier deliveries index is not seasonally adjusted. The index differs from the other components of the composite measure (business activity, new orders, employment) in interpretation. An index above 50 percent indicates slower deliveries and readings below 50 percent indicate faster deliveries.

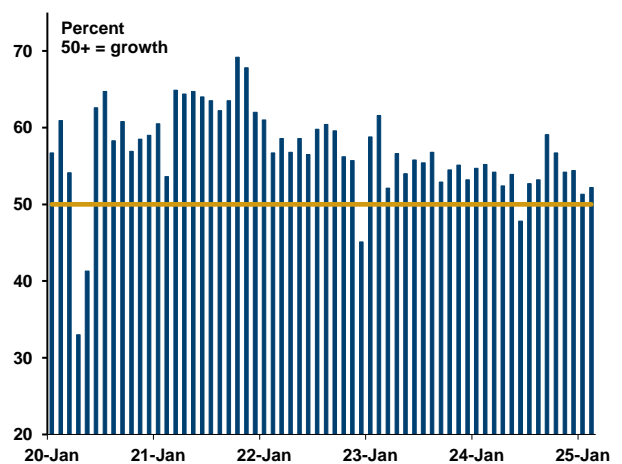
Source: Institute for Supply Management via Haver Analytics

## ISM Services: Employment Index



Source: Institute for Supply Management via Haver Analytics

## ISM Services: New Orders Index

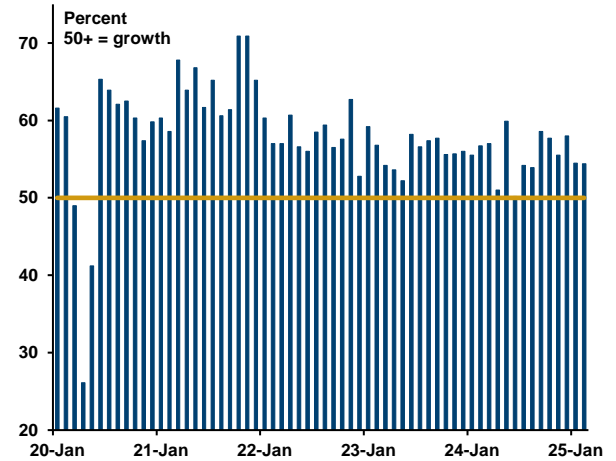


Source: Institute for Supply Management via Haver Analytics

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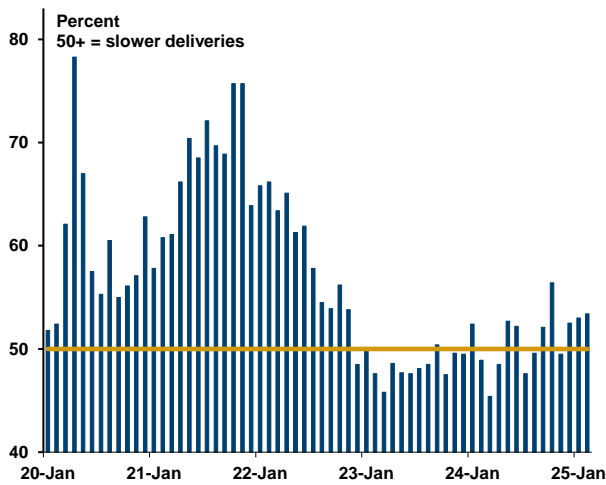
- Business activity, while being the sole index to tilt lower in the latest month, still remained in expansion for the 57th straight month (-0.1 percentage point to 54.4 percent; chart). Similar to new orders, the latest read appears to have been influenced by attempts to front-run levies, with one comment from the release noting that consumers are “purchasing more in anticipation of potential tariff issues.”
- The supplier deliveries component increased 0.4 percentage point to 53.4 percent. Interpretation of this index differs from that of other subindexes, with above-50 readings indicating “slower” (worse) performances (e.g. those generated by delayed deliveries) and sub-50 readings suggesting “faster” (better) ones. This component has continued to oscillate around 50 percent since late-2023, implying well-functioning supply chains (chart, below left).
- Following a decline of 4.0 percentage points in the prior month, the prices index, which does not factor into the composite, rose 2.2 percentage points to 62.6 percent in February – with 16 of 18 industries surveyed reporting increases in prices paid. The measure is currently well below the elevated average of 76.4 percent in 2022, a period characterized by acute price pressure, but price hikes associated with tariffs could exert further upward pressure on this measure in the months ahead (chart, below right).

**ISM Services: Business Activity Index**



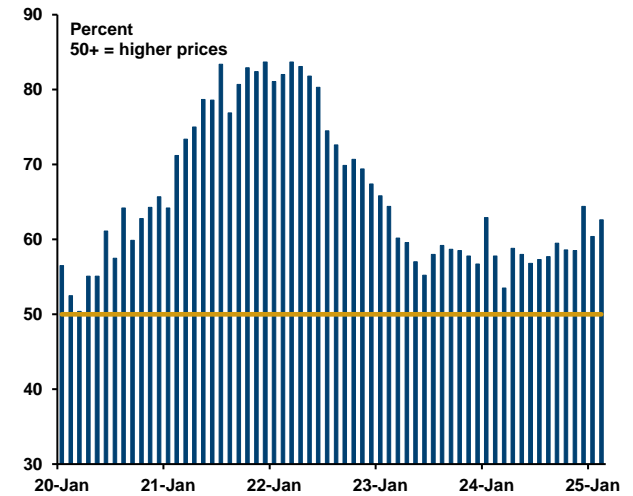
Source: Institute for Supply Management via Haver Analytics

**ISM Services: Supplier Deliveries Index**



Source: Institute for Supply Management via Haver Analytics

**ISM Services: Prices Index**



Source: Institute for Supply Management via Haver Analytics