



# November ISM Services: Steady, Not Strong

## ISM Services Report: Key Takeaways

- ▲ **Services PMI rose to 52.6**, modestly above expectations and the 12-month average of 51.7, marking the ninth month and consistent with roughly 1.3% annualized real GDP growth.
- ▲ **Business Activity held at 54.5**, its seventh reading above 54% this year, consistent with solid, yet unspectacular underlying demand.
- ▲ **New Orders fell to 52.9** from 56.2, still above their 12-month average but clearly pointing to a softer fourth-quarter pipeline.
- ▲ **Employment remained in contraction at 48.9**, the sixth straight sub-50 reading, even as the index has edged higher since July.
- ▲ **Supplier Deliveries jumped to 54.1**, the highest since late 2024, reflecting customs and tariff delays, the government shutdown, and air-traffic disruptions.
- ▲ **Prices eased but stayed elevated:** the Prices Index fell to 65.4, its lowest since April, and has been above 60 for 12 straight months.
- ▲ **Breadth improved:** 12 industries reported growth, while only five reported contraction.
- ▲ **Overall tone:** the services sector is still carrying the expansion, but the 12-month trend in the PMI has dropped more than 10 points since early 2022, underscoring a slower, narrower cycle.

### Expansion Endures, Even as Underlying Currents Slow

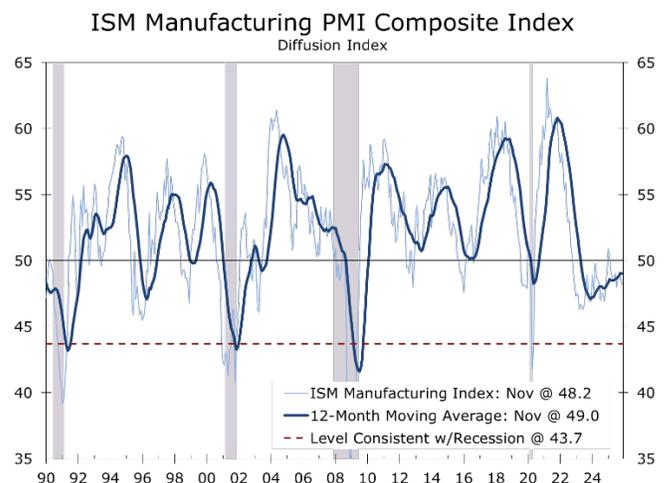
The November ISM Services PMI® edged up to 52.6 from 52.4, modestly beating expectations and extending the services sector's expansion for a ninth month this year. Historically, a reading above 48.6 is consistent with overall GDP growth, and November's

Mark P. Vitner, Chief Economist  
[mark.vitner@piedmontcrescentcapital.com](mailto:mark.vitner@piedmontcrescentcapital.com)  
 Chief Economist (704) 458-4000

figure corresponds to roughly a 1.3% annualized gain in real output. The broader backdrop is less impressive. The 12-month average remains stuck at 51.7, its lowest level since 2010, and more than 10 points below the 62.6 peak reached in February 2022.

### *Solid activity, softer demand: Business Activity holds at 54.5 while New Orders drop 3.3 points.*

Compositionally, the report reinforces that story of “steady, not strong.” The Business Activity Index held at 54.5, up a modest 0.2 point from October and above 54% for the seventh time in 2025, signaling that day-to-day output in the services sector remains in solid expansion. New Orders, however, told a cooler story. The index fell 3.3 points to 52.9. It is still in growth territory and sits nearly a point above its 12-month average, but the step-down points to a softer fourth-quarter pipeline. Respondents describe a split environment: big pharma is spending more aggressively than in the first half of the year, while other customers are pulling back or delaying commitments amid mixed economic signals.



Source: The Institute for Supply Management (ISM)



Backward-looking momentum is being cushioned by backlogs. **The Backlog of Orders Index rose sharply to 49.1 from 40.8, its biggest monthly gain since mid-2022 and the highest reading since February 2025.** Backlogs remain in mild contraction, but the rebound from very weak levels indicates that the worst of the backlog bleed may be behind us. In practice, that means **firms still have enough work in the queue to buffer activity as new orders cool.**

New export orders remained in contraction at 48.7, the **fifth straight sub-50 reading and the eighth this year,** reflecting slower international demand and tariff-related frictions, even as some respondents reported a relatively strong fourth quarter in Europe.

***Services Employment stayed in contraction at 48.9, the sixth straight sub-50 reading.***

The labor picture continues to soften. The Employment Index rose to 48.9 from 48.2, its highest level since May, but remained in contraction for the sixth straight month. Some respondents report success “filling vacancies,” while others still struggle to attract applicants, especially for roles requiring in-office work. Hiring increased in retail, accommodation and food services, wholesale trade, agriculture, health care, and utilities, but declined across mining, transportation and warehousing, management and support services, public administration, construction, professional services, finance, and information.

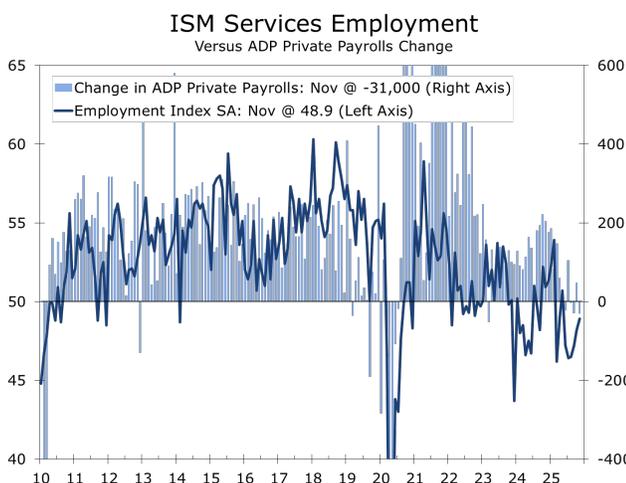
When cross-checked against the November ADP data, which posted a decline of 31,000 private sector jobs, the ISM reinforces the sense that the labor market softening is gaining momentum and broadening.

***Prices are cooling at the margins, but firms continue to manage elevated cost.***

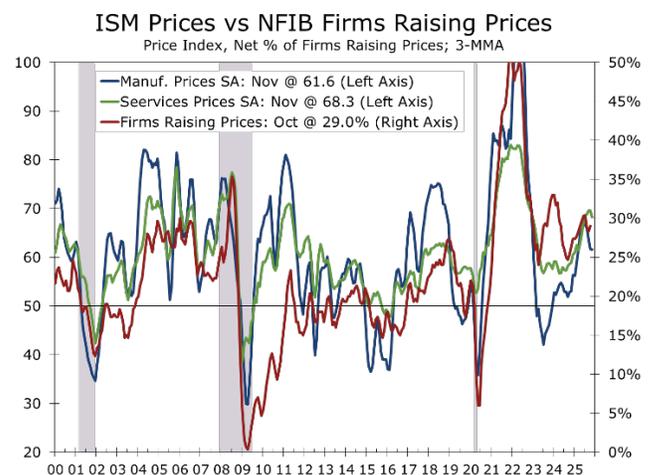
Price and cost dynamics remain one of the clearest constraints on policy. The Prices Index fell to 65.4 NSA from 70.0, its lowest level since April. Yet prices have now been above 60 for 12 successive months, with 14 industries reporting higher input costs. Construction was the only sector reporting lower prices.

Labor, software licensing, copper products, and steel were cited as up in price, while a handful of items—including gasoline, lumber, and engineered wood products—moved lower. On the parallel survey side, the S&P Global services PMI showed declines in both input and output prices, reinforcing a narrative of gradual disinflation rather than outright cost relief.

Inventories and inventory sentiment tell a story of cautious normalization. The Inventories Index returned to expansion at 53.4 after two months of contraction, with several respondents reporting that they are drawing down stocks after a quiet storm season or recalibrating inventories as trade deals are resolved. At the same time, the Inventory Sentiment Index stood at 54.8, indicating that many firms still view inventories as “too high” relative to their needs.



Source: The Institute for Supply Management (ISM)



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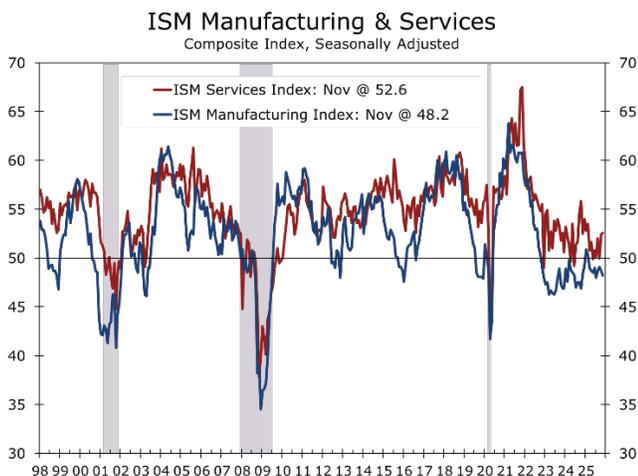


Supply conditions have become more complicated. **The Supplier Deliveries Index rose to 54.1 from 50.8, indicating slower deliveries for the 12th straight month and the highest reading since October 2022.**

Respondents cited tariffs and the government shutdown as the primary drivers, with several noting items being stopped at borders or delayed in customs. The November 4 UPS cargo plane crash, and restraints put in place afterward, also underscored the operational risks facing logistics providers as the holiday shipping season ramps up.

Imports remained in mild contraction at 48.9, but the underlying narrative has shifted: rather than purely reflecting weak demand, the survey indicates that many firms are deliberately moving sourcing toward USMCA suppliers to mitigate steep tariffs on food, apparel, and electronics from Asia.

**Breadth across services improved modestly.** Twelve of seventeen industries expanded in November, including retail trade, arts and entertainment, accommodation and food services, wholesale trade, health care, education, public administration, agriculture, finance, information, professional services, and utilities. Only five industries contracted: construction, real estate and leasing, mining, management and support services, and transportation and warehousing.



Source: The Institute for Supply Management

The respondent anecdotes highlight the divergence. **Retailers report strong traffic and stable pricing.** Health-care providers describe improving fill rates, steadier patient volumes, and less dependence on travel labor. **Construction and real-estate firms cite mortgage-rate and tariff pressures and characterize the slowdown as an “intentional pause,” with margins likely to compress as competition intensifies.** Information and management-services firms remained cautious amid tariff uncertainty and shutdown-related disruptions. Wholesale trade sits in the middle, preparing for tighter margins.

From a macro perspective, the November report underscores a two-speed economy. **Services, with a PMI of 52.6, remain in expansion and slightly above their 12-month average, while manufacturing continues to contract at 48.2.** The services PMI has stayed above 50 in nine of eleven months, but the broader trend has drifted lower since early 2022, leaving the 12-month average at its lowest level since the early 2010s—a profile consistent with a mature but still intact expansion.

For the Federal Reserve, the signal is nuanced but supportive of a measured easing path. **Growth is slowing but positive, labor demand is cooling without cracking, and inflation pressures are easing but not yet comfortable—particularly in services.** Tariffs, supply-chain rerouting, and intermittent shutdown risks have become structural features of the landscape, reinforcing the case for caution. Against this backdrop, the November ISM Services report suggests the sector will continue to carry the expansion into early 2026, but with noticeably less thrust than earlier in the cycle.

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