

U.S. ISM Services Index (August 2026)

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ISM Services in August shows stronger activity, but intensifying price pressures

- The ISM Services PMI rose to 55.4 in August from 54.1 in July, extending the sector's expansion streak to 26 months. The 1.3-point gain was stronger than expected and reflected a broad acceleration in demand, with both business activity and new orders moving above 60.
- Other demand signals were also strong. Backlogs climbed 4.7 points to 55.6, reinforcing the signal that demand strengthened materially in August. New export orders and imports posted sizable gains as well, each reaching 56.3.
- The labor market signal remained less encouraging. The employment index edged up 0.4 points to 47.8 but contracted for a second straight month. Services firms continue to manage headcount cautiously even as activity, orders, and backlogs strengthened.
- Price pressures intensified further, with the prices index rising 2.3 points to 72.6. That marks the fifth reading above 70 in six months and keeps the index above 60 for a 21st straight month. Its 12-month average rose to 68.5, the highest since April 2023.
- Inventories recorded the largest monthly increase, rising 5.3 points to 56.7. Backlogs, imports, and new export orders also posted gains of more than four points, indicating that demand strengthened and firms rebuilt stocks in August.

Key Implications

- The August ISM services report delivered a firmer read on the largest segment of the U.S. economy, but continued to sound a note of caution on employment. Activity and new orders both moved above 60, while stronger backlogs, trade flows, and inventories suggest demand carried solid momentum into late summer. Still, the contraction in employment shows that firms remain reluctant to translate stronger demand into additional hiring.
- Strengthening services demand is being accompanied by even more persistent price pressure. With activity and orders accelerating and prices paid reaching 72.6, the report not only gives the Fed little reason to ease, but keeps the possibility of a rate hike in play despite weak hiring.

Source: <https://economics.td.com/us-ism-non-manufacturing-index>