Capital Markets Strategy

Essential inCights for the C-Suite

MUFG

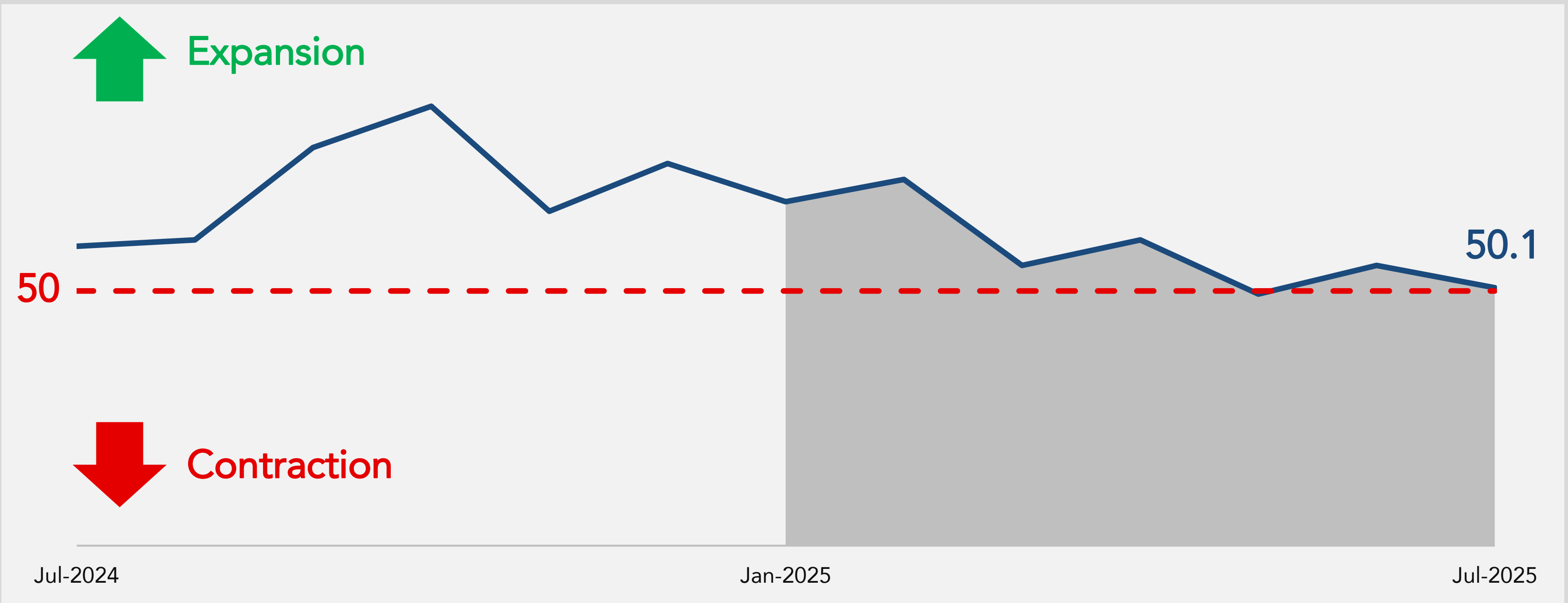
Chart of the Day

The ISM surveys, for both manufacturing and services, are typically released on the first and third day of each month. The monthly surveys, based on responses from a diverse panel of executives, cover a broad range of industries.

Widely viewed as very good predictors for the US economy (i.e., leading indicators), they often signal changes in the US economy before other official economic data.

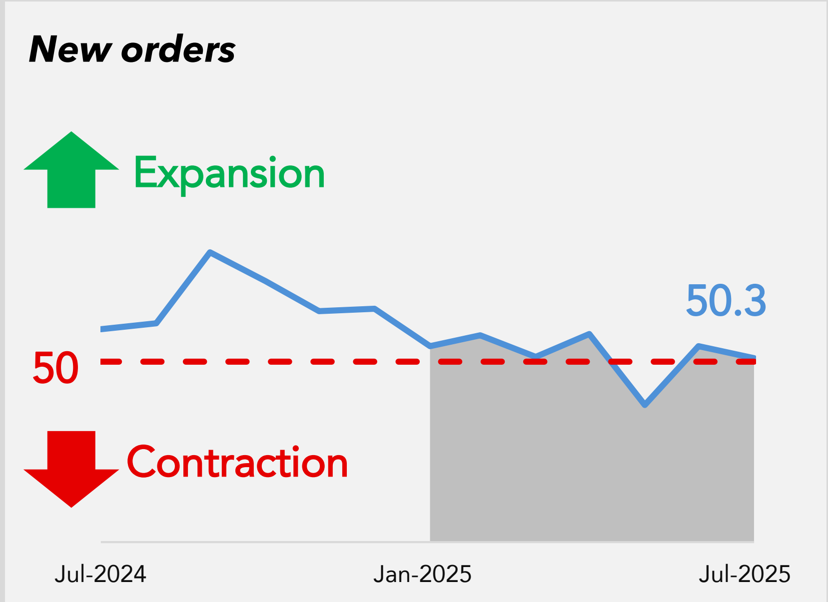
According to the US Bureau of Economic analysis, the services sector accounts for more than 80% of US nominal GDP. The decline in the most recent (July) ISM Services survey to 50.1%, just a touch above the threshold for contraction, was both broad-based and larger than anticipated. Survey respondents frequently cited the negative impact of tariffs and trade policy.

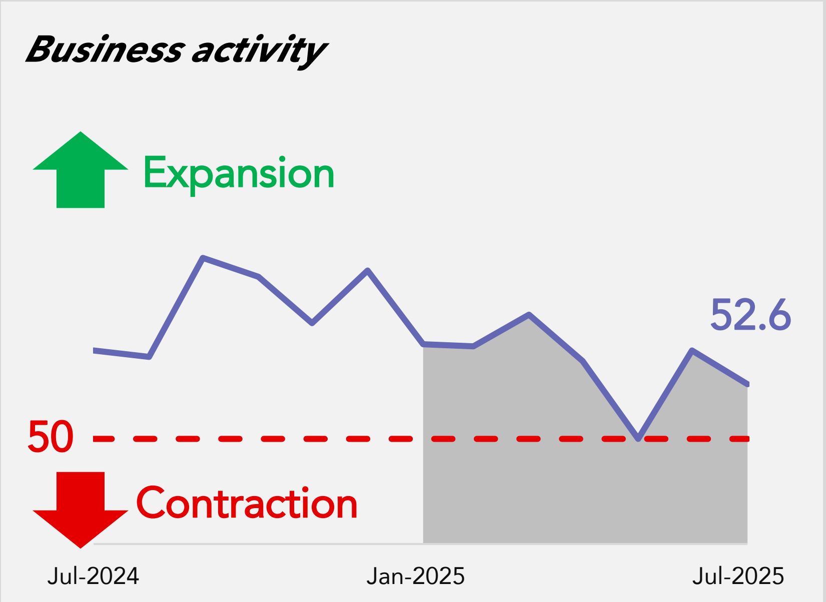
ISM services index

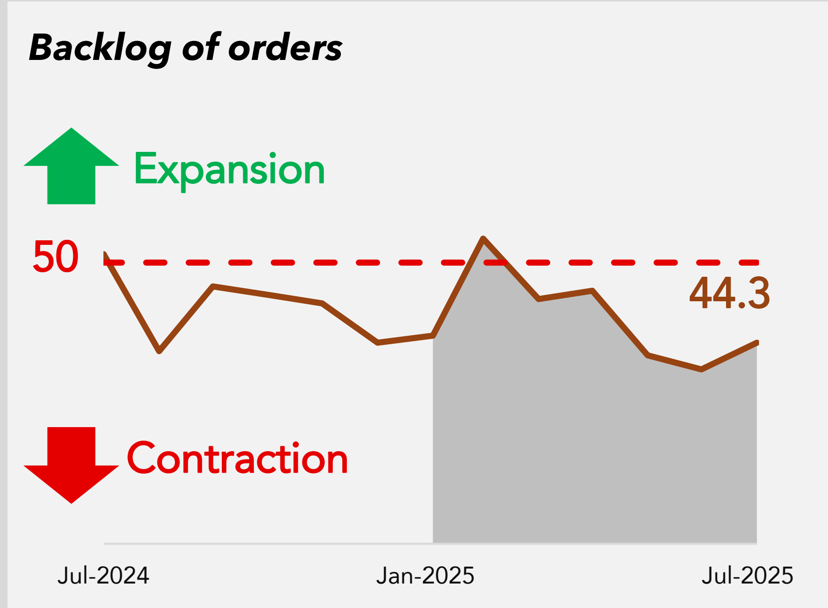


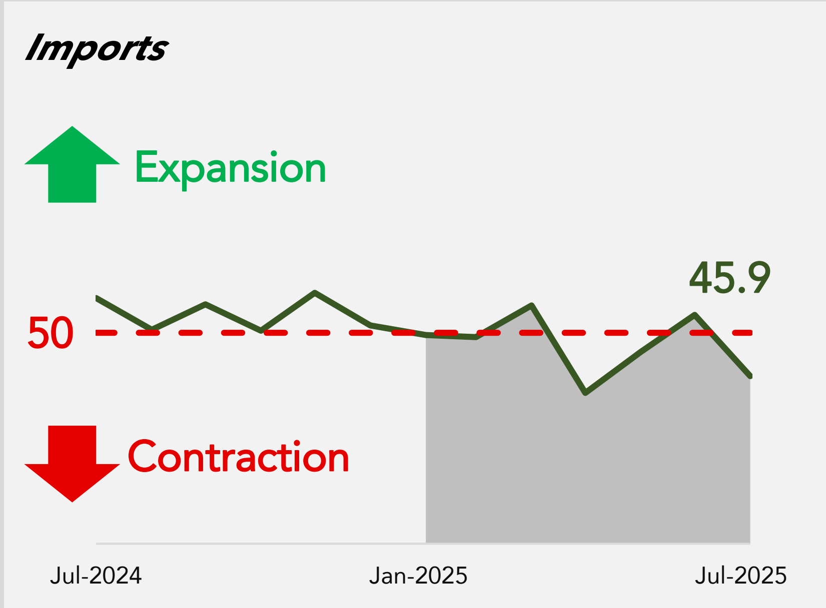
A closer look at the sub-components of the recent US ISM Services survey revealed a broad-based slowdown in new orders and business activity, a weakening in service sector labor markets, and a notable increase in price pressures. In fact, the rise in the services inflation gauge to 69.9% was the highest level since peak-cycle inflation in 2022.

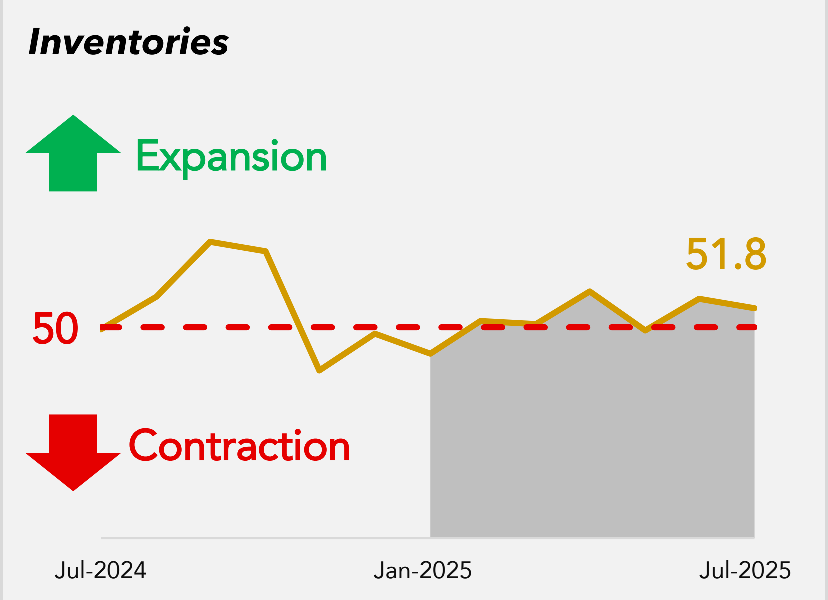
ISM services PMI subcategories

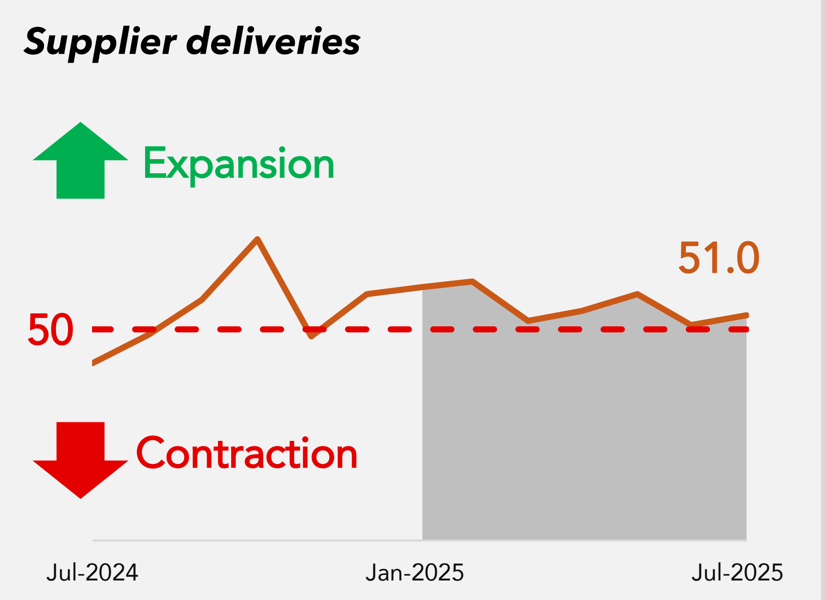


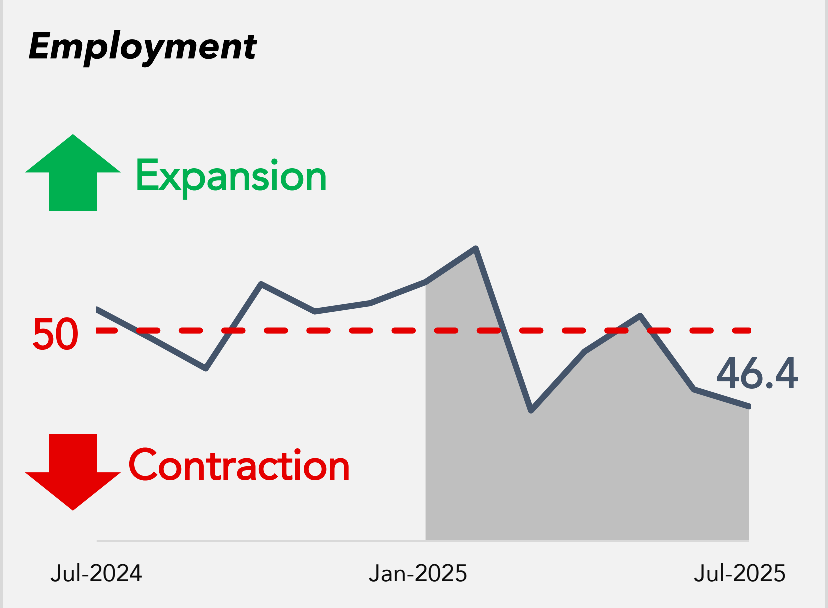


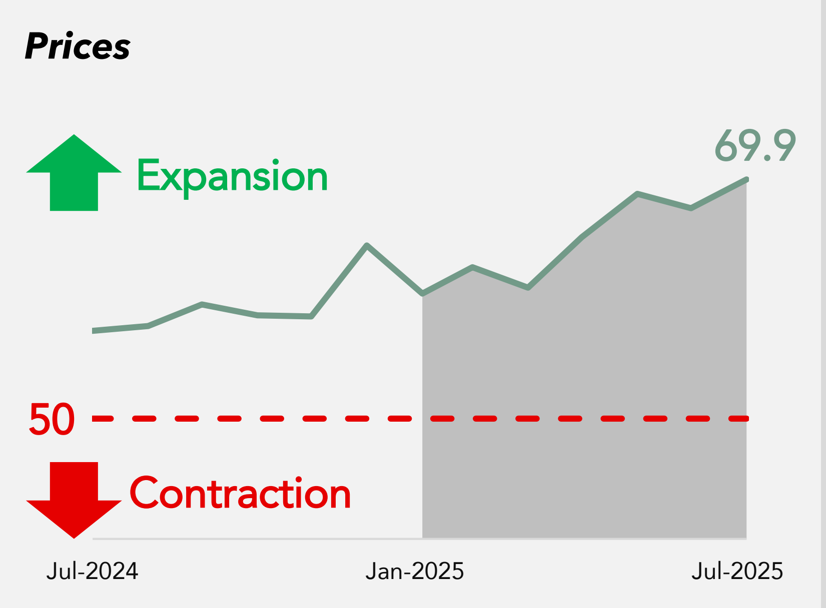






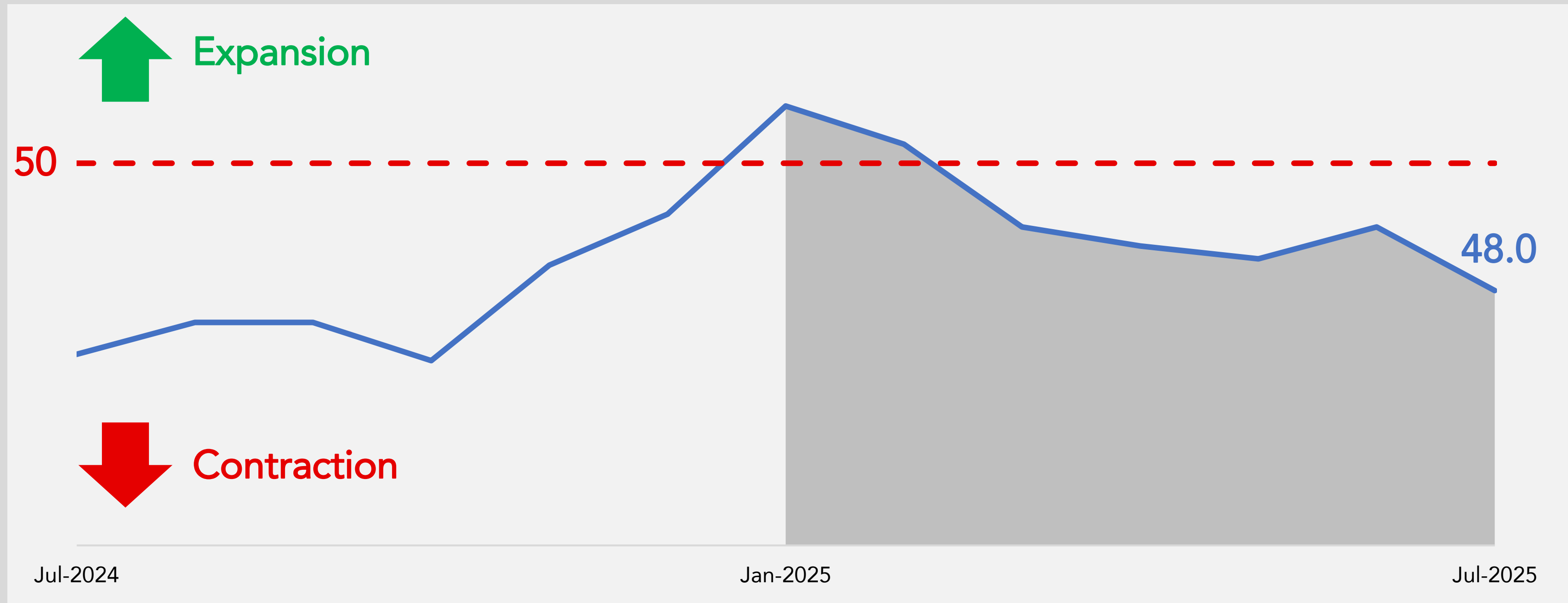






Defying consensus expectations for improvement, the US ISM Manufacturing survey fell further to 48 in July, well into contraction territory, and its fastest pace of decline this year. In addition, survey responses suggest the contraction may have further to fall from here. While recent trade "framework" agreements have eased some uncertainty, the lack of detail and enforcement mechanisms, and the pivot toward sector-based tariffs, continue to weigh on decision-making. Given the concurrent decline in the ISM Manufacturing survey, US economic growth appears to have stalled going into the 2H of the year.

ISM manufacturing index



Source: (1-10) Bloomberg. Data through July 31, 2025.

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"Macro stability isn't everything, but without it, you have nothing."