Service Managers Express Caution

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The Institute for Supply Management (ISM) Services Index declined from 54 to 52.8 in January, still indicating expansion (above 50), just at a lesser pace. Fourteen service industry categories expanded last month, while three contracted. Among the weaker three were real estate, and rental and leasing.

- The business activity index slipped from 58 to a five-month low of 54.5. *Comments from purchasing managers suggested inclement weather had impacted activity.*
- The forward-looking new orders index dropped from 54.4 to 51.3, the lowest level since last June. *A number of survey participants indicated that tariff concerns prompted the more cautious outlook.*
- The employment index signaled expansion for the fourth straight month, with January's 52.3 measure being the highest since September 2023. *This is obviously positive as service industries have experienced hiring challenges for years.*
- The prices paid index retreated from a two-year high of 64.4 to 60.4, although still elevated as 11 of 17 service industries reported paying higher prices in January.

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