SERVICES PMI® at 56.5%

In February, the Services PMI® registered 56.5 percent, a 3.4-percentage point decrease compared to the January reading of 59.9 percent. The 12-month average is 62.6 percent, which reflects consistently strong growth in the services sector. This is the lowest Services PMI® reading since February 2021 (55.9 percent). The February reading indicates the services sector grew for the 21st consecutive month after two months of contraction and 122 months of growth before that.

Economic activity in the services sector grew in February for the 21st month in a row — with the Services PMI® registering 56.5 percent — say the nation’s purchasing and supply executives in the latest Services ISM® Report On Business®.

The Business Activity Index registered 55.1 percent, a decrease of 4.8 percentage points compared to the reading of 59.9 percent in January, and the New Orders Index figure of 56.1 percent is 5.6 percentage points lower than the January reading of 61.7 percent. The composite index indicated growth for the 21st consecutive month after a two-month contraction in April and May 2020. Although there was a pullback for most of the indexes comprising the Services PMI® in February, growth continues for the services sector, which has expanded for all but two of the last 145 months. Respondents continue to be impacted by supply chain disruptions, capacity constraints, inflation, logistical challenges and labor shortages. These conditions have affected the ability of panelists’ businesses to meet demand, leading to a cooling in business activity and economic growth.

The 14 services industries reporting growth in February — listed in order are: Construction; Transportation & Warehousing; Educational Services; Management of Companies & Support Services; Wholesale Trade; Mining; Utilities; Health Care & Social Assistance; Finance & Insurance; Professional, Scientific & Technical Services; Public Administration; Retail Trade; Information; and Other Services®. ISM

Note: To view the full report, visit the ISM® Report On Business® website at ismrob.org. The number of consecutive months the commodity has been listed is indicated after each item. *Reported as both up and down in price.

**Commodities Reported**

**Commodities Up in Price:** Adhesives; Aluminum Products (3); Chemicals; Chicken (6); Computers and Peripherals (2); Diesel Exhaust Fluid (DEF); Diesel Fuel (15); Electrical Components (13); Electronic Components (3); Exam Gloves; Food and Beverages (3); Freight (10); Fuel (14); Gasoline (15); Glassware; Hotel Rates; Janitorial Supplies; Labor (15); Labor — Construction (7); Labor — Technical (4); Labor — Temporary; Lumber (2); Logistics Services; Oriented Strand Board (OSB); Paper; Paper Products (3); Personal Protective Equipment (PPE) (3); Plastic Products (7); Polyvinyl Chloride (PVC) Products (6); Safety Products; Steel® (5); Steel Products (14); and Transportation Costs.

**Commodities Down in Price:** Adhesives; Automotive Parts; Commercial & Industrial Equipment; Cooking Fuels; Drums; Flexible Packaging; Food Processors; Heating Fuels; Paints; Personal Care Products (15); Plastics (13); Pulp & Paper Products (13); Rubber Products (14); Site Work; and Textile Products.

**Commodities Marginal:** Adhesives; Automotive Parts; Building Products; Casino Gaming Supplies; Electric Motors & Generators; Electronic Components (3); Exported Goods; Food Processors; Fuel (14); Furniture; Government Operations; Home Improvement Supplies; Industrial Equipment; Kitchen Appliances; LCD Flat Panel Displays; Metal Ties; Office Furniture; Office Supplies; Paving Materials; Pharmaceuticals; Recycled Materials; Refrigerators; Software; Textile Products; and Wire & Cable.

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ISM’s Business Activity Index registered 55.1 percent. The 13 industries reporting an increase in business activity for the month of February — listed in order — are: Management of Companies & Support Services; Educational Services; Transportation & Warehousing; Mining; Wholesale Trade; Finance & Insurance; Construction; Public Administration; Utilities; Professional, Scientific & Technical Services; Other Services; Retail Trade; and Health Care & Social Assistance.

ISM’s Services Employment Index registered 48.5 percent. The seven industries reporting an increase in employment in February — listed in order — are: Transportation & Warehousing; Construction; Arts, Entertainment & Recreation; Wholesale Trade; Health Care & Social Assistance; Professional, Scientific & Technical Services; and Educational Services.

The Supplier Deliveries Index registered 66.2 percent. The 16 industries reporting slower deliveries in February — listed in order — are: Real Estate, Rental & Leasing; Information; Health Care & Social Assistance; Construction; Accommodation & Food Services; Transportation & Warehousing; Agriculture, Forestry, Fishing & Hunting; Retail Trade; Utilities; Public Administration; Educational Services; Wholesale Trade; Finance & Insurance; Management of Companies & Support Services; Other Services; and Professional, Scientific & Technical Services.

ISM’s New Orders Index registered 56.1 percent. Eleven industries reported growth of new orders in February, in the following order: Management of Companies & Support Services; Construction; Educational Services; Utilities; Mining; Transportation & Warehousing; Finance & Insurance; Public Administration; Wholesale Trade; Professional, Scientific & Technical Services; and Retail Trade.

ISM’s Services Employment Index registered 48.5 percent. The seven industries reporting an increase in employment in February — listed in order — are: Transportation & Warehousing; Construction; Arts, Entertainment & Recreation; Wholesale Trade; Health Care & Social Assistance; Professional, Scientific & Technical Services; and Educational Services.

The Inventories Index grew in February, registering 50.8 percent. The nine industries reporting an increase in inventories in February — listed in order — are: Management of Companies & Support Services; Educational Services; Transportation & Warehousing; Wholesale Trade; Finance & Insurance; Utilities; Health Care & Social Assistance; Information; and Public Administration.

Other Services (services such as Equipment & Machinery Repairing; Promoting or Administering Religious Activities; Grantmaking; Advocacy; and Providing Dry-Cleaning & Laundry Services, Personal Care Services, Death Care Services, Pet Care Services, Photofinishing Services, Temporary Parking Services and Dating Services).
Prices
Prices paid by services organizations for materials and services increased in February for the 57th consecutive month, with the index registering 83.1 percent. All 18 services industries reported an increase in prices paid during the month of February, in the following order: Construction; Wholesale Trade; Management of Companies & Support Services; Educational Services; Utilities; Public Administration; Agriculture, Forestry, Fishing & Hunting; Arts, Entertainment & Recreation; Mining; Transportation & Warehousing; Information; Finance & Insurance; Real Estate, Rental & Leasing; Other Services; Professional, Scientific & Technical Services; Health Care & Social Assistance; Accommodation & Food Services; and Retail Trade.

Backlog of Orders
The ISM Services Backlog of Orders Index registered 64.2 percent. The 13 industries reporting an increase in order backlogs in February — listed in order — are: Accommodation & Food Services; Construction; Real Estate, Rental & Leasing; Transportation & Warehousing; Retail Trade; Health Care & Social Assistance; Management of Companies & Support Services; Utilities; Public Administration; Finance & Insurance; Wholesale Trade; Professional, Scientific & Technical Services; and Information.

New Export Orders
The New Export Orders Index registered 53 percent. The seven industries reporting an increase in new export orders in February — listed in order — are: Utilities; Transportation & Warehousing; Retail Trade; Educational Services; Finance & Insurance; Wholesale Trade; and Professional, Scientific & Technical Services.

Imports
The Imports Index grew in February for the fifth consecutive month, registering 51.7 percent. The six industries reporting an increase in imports for the month of February — listed in order — are: Retail Trade; Wholesale Trade; Utilities; Finance & Insurance; Transportation & Warehousing; and Health Care & Social Assistance.

Inventory Sentiment
The ISM Services Inventory Sentiment Index expanded in February after 10 straight months in contraction, registering 55.3 percent. The five industries reporting sentiment that their inventories were too high in February are: Arts, Entertainment & Recreation; Real Estate, Rental & Leasing; Mining; Information; and Health Care & Social Assistance.

Other Services (services such as Equipment & Machinery Repairing; Promoting or Administering Religious Activities; Grantmaking; Advocacy; and Providing Dry-Cleaning & Laundry Services, Personal Care Services, Death Care Services, Pet Care Services, Photofinishing Services, Temporary Parking Services and Dating Services).