

June ISM Non-Manufacturing Index

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- The ISM non-manufacturing index rose to 56.5 in June from 52.9 in May, easily beating the consensus expected 53.3. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were all higher in June, and all stand above 50, signaling expansion. The new orders index surged to 59.9 from 54.2 while the business activity index increased to 59.5 from 55.1 in May. The employment index rose to 52.7 from 49.7, and the supplier deliveries index ticked higher to 54.0 from 52.5.
- The prices paid index was essentially unchanged at 55.5 in June from 55.6 in May.

Implications: A booming report from the service sector in June, as the ISM non-manufacturing survey rose to 56.5, the highest reading in seven months. And the gains were broad based, with fifteen of eighteen industries reporting expansion, while just three reported contraction. The index has now shown growth for a remarkable 77 consecutive months, and continued strength in both new orders and business activity are positive signs for the months ahead. The new orders index jumped 5.7 points in June, the largest single-month rise since 2010, to 59.9, matching the highest reading seen in 2016. Meanwhile the business activity index surged 4.4 points in June to a very healthy 59.5. Taken together, growth prospects remain positive with no sign of a looming recession. Employment also rose in June, with twelve of eighteen industries reporting increased hiring activity. The move back above 50 (signaling growth) is in line with our expectation that Friday’s employment report will show nonfarm jobs growth of around 189,000, a significant jump from May’s disappointing reading of just 38,000 jobs created. Given the sustained activity in new orders and business activity, we expect the employment index to continue showing healthy growth in the months ahead. On the inflation front, the prices paid index had a small decline to 55.5 in June from 55.6 in May, suggesting that prices continue to rise at roughly the same pace as in May. Rising energy prices have pushed the major inflation indicators higher in recent months, led by the recovery in oil prices. Even if oil prices level out rather than continue the march higher, inflation will approach the Fed’s 2% inflation target faster than many market participants are expecting. As a whole, today’s ISM report shows a continuation of Plow Horse growth and bright prospects for the second half of 2016.

ISM Nonmanufacturing: NMI Composite Index

SA, 50+=Increasing



ISM Nonmanufacturing: Prices Index

SA, 50+ = Economy Expanding



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Jun-16	May-16	Apr-16	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	56.5	52.9	55.7	55.0	54.4	56.2
Business Activity	59.5	55.1	58.8	57.8	57.5	61.5
New Orders	59.9	54.2	59.9	58.0	57.1	58.7
Employment	52.7	49.7	53.0	51.8	51.3	53.1
Supplier Deliveries (NSA)	54.0	52.5	51.0	52.5	51.8	51.5
Prices	55.5	55.6	53.4	54.8	50.9	52.3

Source: Institute for Supply Management