

June ISM Non-Manufacturing Index

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Economist

- The ISM non-manufacturing index increased to 56.0 in June from 55.7, coming in below the consensus expected 56.4. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly higher in June, and all remain above 50, signaling expansion. The business activity index rose to 61.5 from 59.5 while the supplier deliveries index increased to 51.5 from 50.0. The new orders index moved higher to 58.3 from 57.9. The employment index fell to 52.7 from 55.3.
- The prices paid index declined to 53.0 in June from 55.9 in May.

Implications: Service sector activity in 2015 has shown the fastest growth to start a year going back to 2005. While the ISM service sector report came in slightly below expectations for June, it showed accelerating growth from May and represents expansion for a 65th consecutive month. Of the eighteen industries reporting, fifteen showed growth in June, led by arts, entertainment & recreation as well as real estate, rental, & leasing. The business activity index, which has a stronger correlation with economic growth than the overall index, rose to a robust 61.5, while the new orders index, the most forward looking measure of service sector activity, increased to 58.3. Both the business activity and new orders indexes accelerated from the first quarter of the year, signaling a rebound from the impacts of an unusually cold winter and West Coast port strikes that slowed orders. Expect activity to remain strong over the coming months as companies move to fill the steady flow of new orders coming in. The employment index dipped in June to 52.7, as declines in mining, “other”, and information services offset rising employment in thirteen of the remaining fifteen industries. Remember, levels above 50 represent growth, so this still-elevated level represents continued improvement in the job market, just at a slightly slower pace than in recent months. On the inflation front, the prices paid index fell 2.9 points in June to 53.0, as agriculture and fuel prices continue to rise, but at a slower pace than last month. Over the coming months, rising fuel costs will likely continue to be a key driver pushing prices higher. As a whole, today’s report suggests continued growth in the months ahead and an uptick in activity for the second half of 2015.

ISM Nonmanufacturing: NMI Composite Index

SA, 50+=Increasing



ISM: Nonmfg: Prices Index

SA, 50+ = Econ Expand



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Jun-15	May-15	Apr-15	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	56.0	55.7	57.8	56.5	56.6	56.3
Business Activity	61.5	59.5	61.6	60.9	60.2	59.2
New Orders	58.3	57.9	59.2	58.5	58.2	60.4
Employment	52.7	55.3	56.7	54.9	54.9	54.5
Supplier Deliveries (NSA)	51.5	50.0	53.5	51.7	53.0	51.0
Prices	53.0	55.9	50.1	53.0	51.1	60.1

Source: Institute for Supply Management