

July ISM Non-Manufacturing Index

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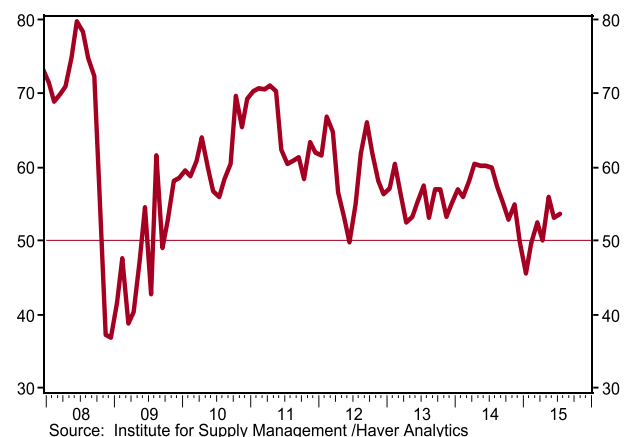
- The ISM non-manufacturing index increased to 60.3 in July from 56.0, coming in far above the consensus expected 56.2. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were all higher in July, and all remain above 50, signaling expansion. The employment index jumped to 59.6 from 52.7 while the new orders index rose to 63.8 from 58.3. The business activity index moved higher to 64.9 from 61.5, and the supplier deliveries index increased to 53.0 from 51.5.
- The prices paid index rose to 53.7 in July from 53.0 in June.

Implications: A blowout report on the service sector in July. The ISM services index rose to 60.3, coming in far above the estimates of all 75 forecasters reporting, and representing the highest reading going back to August of 2005. Through the first seven months of the year, service sector activity has shown a clear acceleration from the same period a year ago, while July’s reading also represents a 66th consecutive month of expansion. Of the eighteen industries reporting, fifteen showed growth in July, with mining and “other services” the only industries reporting contraction (one industry reported no change). The business activity index, which has a stronger correlation with economic growth than the overall index, rose to a robust 64.9, while the new orders index, the most forward looking measure of service sector activity, increased to 63.8. Both the business activity and new orders indexes have 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 jumped in July to 59.6, as declines in mining, “other”, and utilities could not offset rising employment in fourteen of the remaining fifteen industries. Paired with recent claims data, this report seems more in line with employment growth than the modest data coming out of the manufacturing sector. On the inflation front, the prices paid index rose 0.7 points in July to 53.7, led by accommodation & food services. While one bad month of data doesn’t worry us, one blowout number also needs to be kept in perspective. 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>	Jul-15	Jun-15	May-15	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	60.3	56.0	55.7	57.3	57.2	57.9
Business Activity	64.9	61.5	59.5	62.0	60.7	61.3
New Orders	63.8	58.3	57.9	60.0	59.0	62.6
Employment	59.6	52.7	55.3	55.9	56.2	56.1
Supplier Deliveries (NSA)	53.0	51.5	50.0	51.5	52.8	51.5
Prices	53.7	53.0	55.9	54.2	52.5	60.0

Source: Institute for Supply Management