

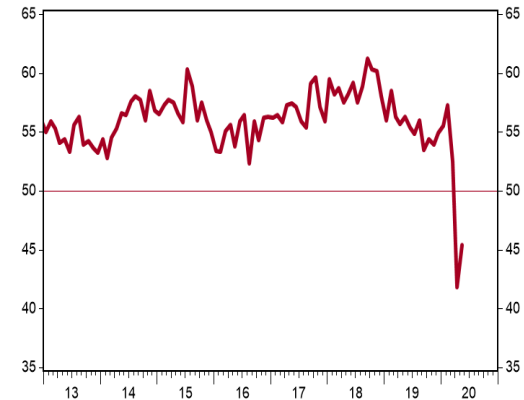
May ISM Non-Manufacturing Index

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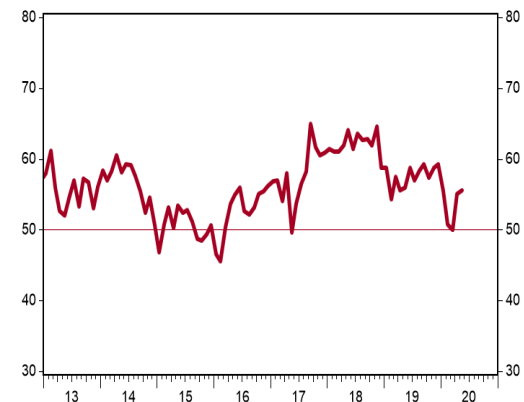
- The ISM Non-Manufacturing index rose to 45.4 in May, beating the consensus expected 44.4. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly higher in May. The business activity index rose to 41.0 from 26.0 in April, while the new orders index increased to 41.9 from 32.9. The employment index moved higher to 31.8 from 30.0 in April. The supplier deliveries index declined to 67.0 from 78.3.
- The prices paid index rose to 55.6 from 55.1 in April.

Implications: The ISM non-manufacturing index remained in contraction territory in May, but the pace of decline slowed as industries saw signs of improvement coming off of April lows. And the underlying indices showed improvement across the board. The one index that declined – supplier deliveries – increases when companies report longer delivery delays (typically a sign of more demand than companies can fill in a timely manner), and so the decline in the index in May means fewer delays. In the current situation, delivery slowdowns have been due to supply chain constraints and lowered production levels, so fewer delays are a good sign. In total, fourteen of eighteen companies reported contraction in May, while four reported growth. The two most forward-looking indices – business activity and new orders – had the largest increases. Activity rose 15.0 points, the largest monthly increase (by a longshot) in the index’s history dating back to the late 1990s, following the record decline in April. The new orders index followed suit, up 9.0 points to a reading of 41.9 versus the 32.9 reading in April. It’s important to remember that, with these numbers still in contraction territory, it represents a continued slowing activity, but the pace of decline has moderated from April. The employment index moved higher to 31.8 in May from 30.0 in March as seventeen of eighteen sectors continue to report declines. While that is a modest improvement from the survey, data out from today’s ADP employment report showed 2.8 million jobs lost in May, was better than the consensus expected loss of 9.0 million jobs. While it may change with unemployment claims data out tomorrow, we currently expect the employment report for May, which is due out this Friday, will show 4.5 million nonfarm jobs lost in the month. An enormous number, no doubt, but less of a loss than the 20.5 million jobs lost in April. For more information on how the employment picture is providing insight into where we stand within this recession (and progress towards recovery) read this week’s [Monday Morning Outlook](#). On the inflation front, the prices paid index rose to 55.6 from 55.1 in April. Rising costs for cleaning products and medical supplies (like personal protective equipment) more than offset declining fuel costs. While the data remain ugly – and will remain depressed for a while – the good news is that nearly every state has now opened their doors in some capacity. As the recovery evolves – and as companies and their employees return to work – the data will continue to improve. We will still see hefty declines compared to year-ago levels, but the high-frequency data that provide a more real-time check on the pulse of the economy are already showing the green shoots of progress. In other news this week, cars and light trucks were sold at an 12.2 million annual rate in May, down 29.4% from a year ago, but up 42.3% from what we believe will prove to be the low in April.

ISM Nonmanufacturing: NMI Composite Index
 SA, 50+=Increasing



ISM Nonmanufacturing: Prices Index
 SA, 50+ = Economy Expanding



Source: Institute for Supply Management/Haver Analytics

| Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i> | May-20 | Apr-20 | Mar-20 | 3-month <i>moving avg</i> | 6-month <i>moving avg</i> | Year-ago <i>level</i> |
|--|-------------|--------|--------|------------------------------|------------------------------|--------------------------|
| Composite Index | 45.4 | 41.8 | 52.5 | 46.6 | 51.2 | 56.3 |
| Business Activity | 41.0 | 26.0 | 48.0 | 38.3 | 48.5 | 60.1 |
| New Orders | 41.9 | 32.9 | 52.9 | 42.6 | 50.4 | 58.5 |
| Employment | 31.8 | 30.0 | 47.0 | 36.3 | 45.4 | 57.1 |
| Supplier Deliveries (NSA) | 67.0 | 78.3 | 62.1 | 69.1 | 60.7 | 49.5 |
| Prices | 55.6 | 55.1 | 50.0 | 53.6 | 54.4 | 56.0 |

Source: Institute for Supply Management