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## August ISM Non-Manufacturing Index

- The ISM Non-Manufacturing index rose to 54.5 in August, easily beating the consensus expected 52.5 (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were all higher in August. The new orders index rose to 57.5 from 55.0, while the business activity index ticked up to 57.3 from 57.1. The employment index increased to 54.7 from 50.7, while the supplier deliveries index rose to 48.5 from 48.1.
- The prices paid index increased to 58.9 in August from 56.8 in July.

**Implications:** Activity in the services sector accelerated in August, as the headline index increased to a six-month high with thirteen out of eighteen major industries reporting growth, beating even the most optimistic forecast. Contrast this with the [August ISM report](#) on the manufacturing sector – where activity contracted for the tenth month in a row and only five industries reported growth – output is clearly shifting back toward services following the COVID-era when goods-related activity was artificially boosted. There was plenty to like in today’s report on the services sector. Business activity and new orders (the two forward-looking categories) both rose in August and sit comfortably in expansion territory. Notably, respondents cited a post-pandemic environment that has led to higher levels of activity than even they had anticipated. Meanwhile, demand for labor in the services sector remains strong, with the employment index jumping to the highest level since 2021. Respondent comments continue to signal that a lack of supply, not demand, has been what’s held back service jobs from moving higher. On the supply-chain front, the supplier deliveries index contracted for the seventh month in a row, signaling shorter lead times for businesses. Despite easing supply chains, inflation remains a problem in the services sector. The prices index rose to 58.9 in August, with twelve industries reporting paying higher prices in the month. We expect the services sector to keep inflation trending above the Fed’s 2.0% target for some time. As for the economy, even though services are still expanding, we continue to believe a recession is on the way. Equity investors should remain cautious as we navigate these unprecedented times.

ISM Services: Services PMI Composite Index  
 SA, 50+=Increasing



Source: Institute for Supply Management/Haver Analytics

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



Source: Institute for Supply Management/Haver Analytics

Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Aug-23	Jul-23	Jun-23	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Composite Index</b>	<b>54.5</b>	52.7	53.9	53.7	52.4	56.1
<b>Business Activity</b>	<b>57.3</b>	57.1	59.2	57.9	55.4	59.3
<b>New Orders</b>	<b>57.5</b>	55.0	55.5	56.0	54.9	60.4
<b>Employment</b>	<b>54.7</b>	50.7	53.1	52.8	51.6	50.2
<b>Supplier Deliveries (NSA)</b>	<b>48.5</b>	48.1	47.6	48.1	47.7	54.5
<b>Prices</b>	<b>58.9</b>	56.8	54.1	56.6	57.5	72.3

Source: Institute for Supply Management