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May ISM Non-Manufacturing Index

- The ISM Non-Manufacturing index rose to 53.8 in May, well above the consensus expected 51.0. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were all higher in May. The business activity index rose to 61.2 from 50.9, while the new orders index increased to 54.1 from 52.2. The employment index rose to 47.1 from 45.9, while the supplier deliveries index increased to 52.7 from 48.5.
- The prices paid index declined to 58.1 in May from 59.2 in April.

Implications: The ISM Services index’s brief one-month stint below 50 in April proved to be short-lived, as the index rebounded to a nine-month high of 53.8 in May and beat even the most optimistic forecast from any economics group on Bloomberg. The rise in the overall index was a result of notably higher business activity, which jumped to 61.2 in May, matching the highest level in eighteen months. Meanwhile, the index for new orders climbed to a solid 54.1, the seventeenth straight month above 50. Contrast this with data from the [May ISM report](#) on the manufacturing sector – where new orders have contracted nineteen out of the last twenty-one months and production skating by – investment has clearly been shifting back toward services following the COVID-era when goods-related industries were artificially boosted. Although the service sector has not matched the same weakness as the manufacturing sector, the labor market remains muted. Hiring contracted once again in May, the fifth time in six months. While labor market tightness was a key issue for hiring over the last couple of years, survey comments note that companies are now holding off on filling vacancies due to a desire to control labor expenses and uncertainty around the economic outlook. Last, inflation remains a major problem in the service sector. Prices continued to rise in May, with fourteen industries paying higher prices and not one paying lower prices. The service sector has been a main driver for stubbornly high inflation this year and – unfortunately for the Fed – it doesn’t seem to be abating. In other news this morning, ADP’s measure of private payrolls increased 152,000 in May versus a consensus expected 175,000. We expect Friday’s payroll report to show a nonfarm payroll gain of 196,000. In other recent news, cars and light trucks were sold at a 15.9 million annual rate in May, up 0.8% from April and up 2.5% from a year ago.

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>	May-24	Apr-24	Mar-24	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	53.8	49.4	51.4	51.5	51.9	51.0
Business Activity	61.2	50.9	57.4	56.5	56.4	52.9
New Orders	54.1	52.2	54.4	53.6	54.1	54.0
Employment	47.1	45.9	48.5	47.2	47.3	49.7
Supplier Deliveries (NSA)	52.7	48.5	45.4	48.9	49.6	47.7
Prices	58.1	59.2	53.4	56.9	58.3	57.2

Source: Institute for Supply Management