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July ISM Non-Manufacturing Index

- The ISM Non-Manufacturing index increased to 51.4 in July, above the consensus expected 51.0. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mostly higher in July. The business activity index rose to 54.5 from 49.6, while the new orders index increased to 52.4 from 47.3. The employment index rose to 51.1 from 46.1 and the supplier deliveries index declined to 47.6 from 52.2.
- The prices paid index increased to 57.0 in July from 56.3 in June.

Implications: The ISM Services index bounced back into expansion territory after what has been a shaky past few months for the U.S. services sector. First, the good news. Nearly every major measure of activity rose in July and sit above 50, signaling expansion. The one exception was movement from the supplier deliveries index – which declined to 47.6 from 52.2 – but this is the only category where a reading below 50 is considered a good sign, as it signals contracting delivery times. Now for the blemishes. The U.S. services sector has contracted in two out of the last four months. The new orders index is lower than any month in 2023 and the employment index has been in contraction territory for six out of the last eight months. Meanwhile, inflation remains the dominant theme in comments from survey respondents. The prices paid index rose to 57.0 in July, with eleven out of eighteen major services industries reporting paying higher prices for the month. Developments in this category are important as the services sector has been a main driver for stubbornly high inflation over the last two years. Our expectation is that inflation and growth in the sector decelerate as the lagged impacts from a drop in the M2 measure of the money supply from early 2022 through late 2023 take effect. In other recent news, cars and light trucks were sold at a 15.8 million annual rate in July, up 4.2% from June but 0.8% lower than 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>	Jul-24	Jun-24	May-24	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	51.4	48.8	53.8	51.3	51.2	52.8
Business Activity	54.5	49.6	61.2	55.1	55.1	57.0
New Orders	52.4	47.3	54.1	51.3	52.8	55.1
Employment	51.1	46.1	47.1	48.1	47.8	50.9
Supplier Deliveries (NSA)	47.6	52.2	52.7	50.8	49.2	48.1
Prices	57.0	56.3	58.1	57.1	57.1	57.6

Source: Institute for Supply Management