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## August ISM Non-Manufacturing Index

- The ISM Non-Manufacturing index increased to 51.5 in August, beating the consensus expected 51.4. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mixed in August. The business activity index declined to 53.3 from 54.5, while the new orders index increased to 53.0 from 52.4. The employment index fell to 50.2 from 51.1 and the supplier deliveries index rose to 49.6 from 47.6.
- The prices paid index increased to 57.3 in August from 57.0 in July.

**Implications:** Activity in the US service sector continued to tread water in what has been a shaky past few months for the ISM Services index. The overall index ticked up a tenth of a point to 51.5 in August while industry growth was split, with ten out of eighteen major service industries reporting growth and seven reporting contraction. Looking at the details, the major measures of activity were a mixed bag. The new orders index rose to a three-month high at 53.0, while the business activity index declined to 53.3. These are roughly in-line with their monthly averages in 2024, but lower than the average levels from 2022 and 2023. Service companies have taken note of slowing activity as they’ve begun to pull back on hiring. Case in point, the employment index has been in contraction territory for six out of the last nine months. Employment comments note of hiring freezes and some companies are no longer backfilling positions when people leave or retire. Despite signs of slowing activity, inflation remains the dominant theme in comments from survey respondents. The prices paid index rose to 57.3 in August – the highest reading of any category in the report – with thirteen out of eighteen major industries paying higher prices for the month. Developments in this category are important as the service 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 employment news this morning, initial jobless claims declined 5,000 last week to 227,000. Meanwhile, continuing claims declined 22,000 to 1.838 million. Also on the labor front, ADP’s measure of private payrolls increased 99,000 in August versus a consensus expected 145,000. We’re estimating tomorrow’s government report will show a nonfarm payroll gain of 177,000 with the unemployment rate ticking down to 4.2%.

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-24	Jul-24	Jun-24	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Composite Index</b>	<b>51.5</b>	51.4	48.8	50.6	51.1	54.1
<b>Business Activity</b>	<b>53.3</b>	54.5	49.6	52.5	54.5	57.1
<b>New Orders</b>	<b>53.0</b>	52.4	47.3	50.9	52.2	56.6
<b>Employment</b>	<b>50.2</b>	51.1	46.1	49.1	48.2	54.1
<b>Supplier Deliveries (NSA)</b>	<b>49.6</b>	47.6	52.2	49.8	49.3	48.5
<b>Prices</b>	<b>57.3</b>	57.0	56.3	56.9	56.9	58.7

Source: Institute for Supply Management