

U.S. Data Review

- ISM services: record reading indicates strong activity

Michael Moran

Daiwa Capital Markets America
 212-612-6392
michael.moran@us.daiwacm.com

ISM Services Index

The services index published by the Institute for Supply Management rose 4.0 percentage points in July to 64.1 percent. The increase easily exceeded the fractional gain expected in the market (up 0.4 percentage point to 60.5 percent), and it moved the index to a new record level. The previous record was set just two months ago (64.0 percent in May); before that, the previous high was 63.0 percent in August 1997.

All four components contributed to the increase in the headline index. None of the components moved to a record level, but all were firm and the combined readings generated a robust headline figure. The business activity index led the advance with a surge of 6.6 percentage points to 67.0 percent, the third strongest reading on record, exceeded only by 69.4 percent in March of this year and 67.7 percent in January 2004. The new orders component rose moderately (up 1.6 percentage points to 63.7 percent), but it was in the upper portion of its long-run range. The brisk pace of activity led to more hiring, as the employment component rebounded from a sub-50 reading with a jump of 4.5 percentage points to 53.8 percent.

The supplier delivery component rose 3.5 percentage points to 72.0 percent, signaling slow deliveries because of supply-chain difficulties. The measure was well below the reading of 78.3 percent in April 2020 when the onset of the pandemic forced shutdowns, but otherwise, it was the highest on record (August 1997 was close at 71.5 percent). Problems with supply chains also were evident in the prices index, which rose 2.8 percentage points to 82.3 percent. The latest reading on prices was the highest of the current recovery, but a bit below the record of 83.5 percent in September 2005.

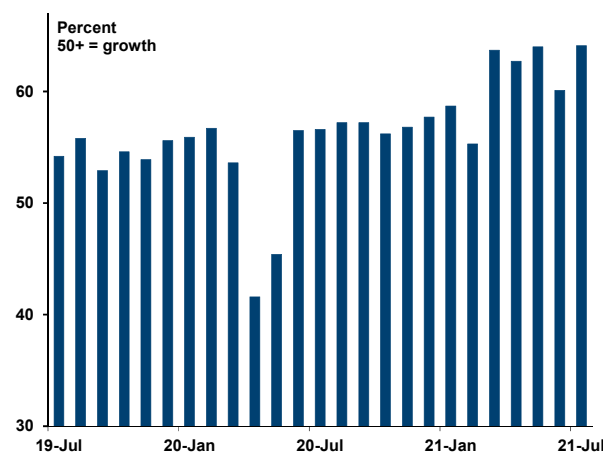
ISM Services: Monthly Indexes

	Mar-21	Apr-21	May-21	Jun-21	Jul-21
ISM Nonmfg. Composite	63.7	62.7	64.0	60.1	64.1
Business activity	69.4	62.7	66.2	60.4	67.0
New orders	67.2	63.2	63.9	62.1	63.7
Employment	57.2	58.8	55.3	49.3	53.8
Supplier deliveries*	61.0	66.1	70.4	68.5	72.0
Prices	74.0	76.8	80.6	79.5	82.3

* The supplier deliveries index is not seasonally adjusted. The index differs from the other components of the composite measure (business activity, new orders, employment) in interpretation. An index above 50 percent indicates slower deliveries and readings below 50 percent indicate faster deliveries.

Source: Institute for Supply Management via Haver Analytics

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