

# U.S. Data Review

- ISM services: moderate growth, but headwinds from labor shortages and elevated prices
- JOLTS: softer job openings and quits, but still elevated

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## ISM Services Index

The index on service activity published by the Institute for Supply Management slipped 0.6 index point in June to 55.3, a bit better than the consensus expectation of a decline of 1.9 index points to 54.0. The latest dip was in sixth easing in the past seven months, with activity in June off sharply from the record high of 68.4 in November of last year. That latest reading, while still signaling moderate growth in the service sectors of the economy, suggests some loss of vigor. Indeed, the June report highlighted several notable headwinds: “Logistical challenges, a restricted labor pool, material shortages, inflation, the corona virus and the war in Ukraine continue to negatively impact the services sector.”

The business activity index rose 1.6 index points in June to 56.1. The latest pickup was a welcome development in a challenging environment, although business activity remained in the low end of the range of the past two years and well below the record reading of 72.5 in November 2021. On the soft side, the new orders index declined 2.0 index points to 55.6, a reading in the lower portions of the ranges of the past few expansions. The employment index posted its third sub-50 reading in the past five months, with a lack of qualified job applicants cited as a constraint (chart, right).

The supplier deliveries index increased modestly in June (+0.6 index point to 61.9). The index has fallen sharply from the record of 78.3 in April of 2020 and observations of 75.7 in October/November of last year, but the pickup in June and the still-elevated reading signaled that supply chain disruptions remain an issue.

The prices index declined for the second consecutive month after a record reading in April (84.6), but the latest observation of 80.0 suggests that firms face continued challenges from higher prices.

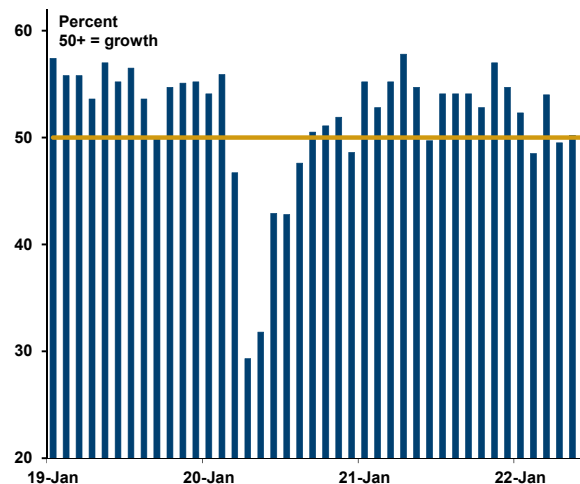
### ISM Services: Monthly Indexes

	Feb-22	Mar-22	Apr-22	May-22	Jun-22
<b>ISM Nonmfg. Composite</b>	56.5	58.3	57.1	55.9	55.3
<b>Business activity</b>	55.1	55.5	59.1	54.5	56.1
<b>New orders</b>	56.1	60.1	54.6	57.6	55.6
<b>Employment</b>	48.5	54.0	49.5	50.2	47.4
<b>Supplier deliveries*</b>	66.2	63.4	65.1	61.3	61.9
<b>Prices</b>	83.1	83.8	84.6	82.1	80.1

\* 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

### ISM Services: Employment Index



Source: Institute for Supply Management via Haver Analytics

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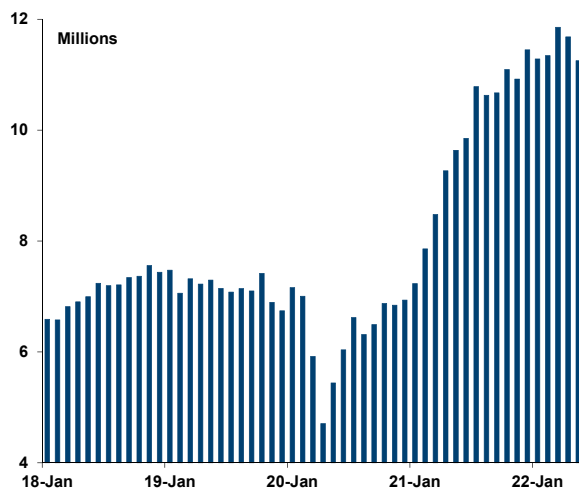
## Job Openings and Labor Turnover

The number of job openings in the United States eased in May, with the number of postings dropping 427,000 (-3.7 percent) to 11.254 million. Despite the decline, job openings remained stratospheric relative to historical standards, exceeding all observations before December of last year (chart, left). The U.S. now has 1.89 jobs for each unemployed individual, down only slightly from the record of 1.99 in March.

With job postings easing slightly, the number of new hires and the hiring rate also fell slightly. The number of new hires dipped 0.6 percent, but the total of 6.489 million remained comfortably within the range seen since early 2021. The hiring rate (hires as a share of total employment) was unchanged in May at 4.3 percent and in the middle of the recent range of 4.0 to 4.5 percent. The number of layoffs and discharges rose 5.9 percent, but the change occurred from a low base and the number of terminations was low in an absolute sense. The termination rate was steady at 0.9 percent and only a touch above the record low of 0.8 percent last December.

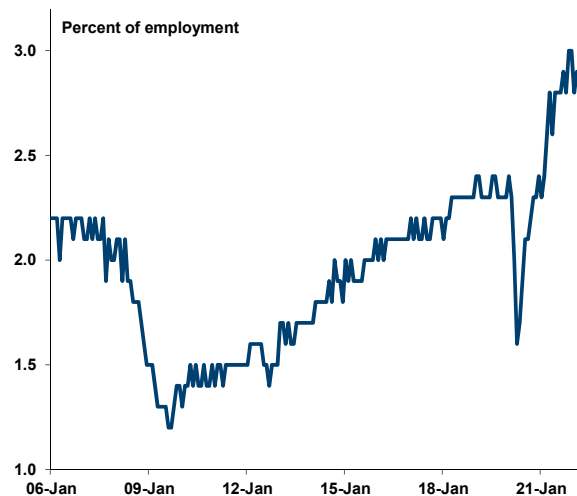
The number of individuals who quit their job totaled 4.270 million in May, falling 1.3 percent. Although off in May, the number of quits remained high by historical standards, exceeding all observations before November of last year. The quit rate totaled 2.8 percent, down from 2.9 percent in the prior month and the record high of 3.0 percent registered in November and December of last year. However, the rate remained noticeably above the pre-pandemic record of 2.4 percent (chart, right).

### Job Openings



Source: Bureau of Labor Statistics via Haver Analytics

### Quits Rate



Source: Bureau of Labor Statistics via Haver Analytics