

U.S. Data Review

- ISM services: well maintained in July
- Factory orders: continued growth, perhaps in real terms

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ISM Services Index

The services index published by the Institute for Supply Management rose 1.4 points in July to 56.7, a stronger performance than the expected decline of 1.8 index points. The measure remained well shy of robust readings seen during much of 2021 (an average of 64.4 in the second half of last year), but any advance in the current environment of slowing growth is encouraging. In addition, the level of the index remained respectable relative to historical standards.

The new orders component led the advance in July, posting a gain of 4.3 index points to 59.9. Like the headline figure, the orders index was softer than the average of 65.3 in the second half of last year, but it was a firm showing in an absolute sense. With orders firm, the business activity index also improved, increasing 3.8 points to 59.9. The employment index rose 1.7 points, but that advance was not large enough to push the measure above the 50-point threshold (49.1 in July). The employment measure has been below 50 in four of the first seven months of the year.

The supplier delivery index fell 4.1 points to 57.8, continuing a zig-zag pattern that has cumulated to a notable decline (down from 75.7 in October and November of last year; chart, below right). The decline made a negative contribution to the headline index, but the retreat should be viewed as a favorable development for the economy, as it suggests an easing in supply constraints. The level of the delivery index is still in the upper portion of the historical range, and thus conditions cannot be viewed as normal, but they have improved considerably. The price index also suggested some improvement on the supply side, as this index fell 7.8 points to 72.3, still high but better than the record reading of 84.6 in April.

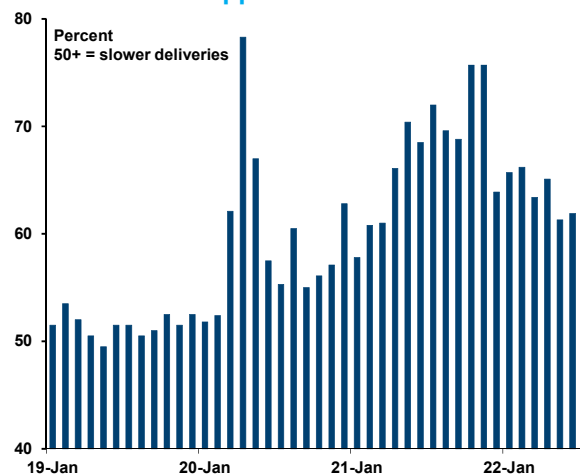
ISM Services: Monthly Indexes

	Mar-22	Apr-22	May-22	Jun-22	Jul-22
ISM Nonmfg. Composite	58.3	57.1	55.9	55.3	56.7
Business activity	55.5	59.1	54.5	56.1	59.9
New orders	60.1	54.6	57.6	55.6	59.9
Employment	54.0	49.5	50.2	47.4	49.1
Supplier deliveries*	63.4	65.1	61.3	61.9	57.8
Prices	83.8	84.6	82.1	80.1	72.3

* 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

ISM Services: Supplier Deliveries Index



Source: Institute for Supply Management via Haver Analytics

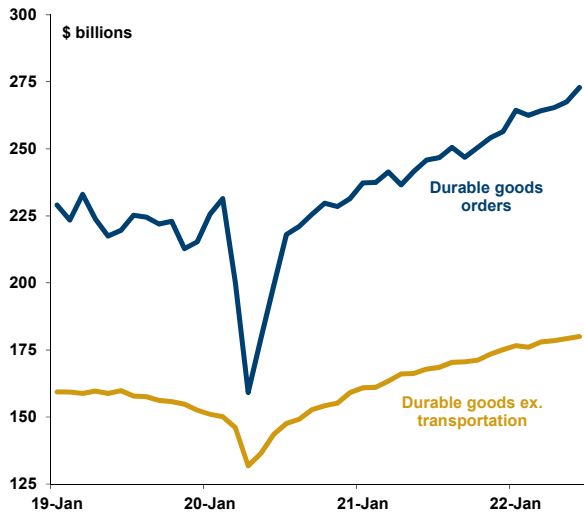
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Factory Orders

Factory orders rose 2.0 percent in June, firmer than the expected increase of 1.2 percent. The durable and nondurable components contributed about equally to the overall gain. The increase in durable bookings was revised one tick higher from the 1.9 percent estimate published last week, with orders for defense-related aircraft accounting for much of the advance. Other durable areas showed moderate growth, with durable bookings ex-transportation increasing 0.4 percent and ex-aircraft (defense and commercial) advancing 0.5 percent.

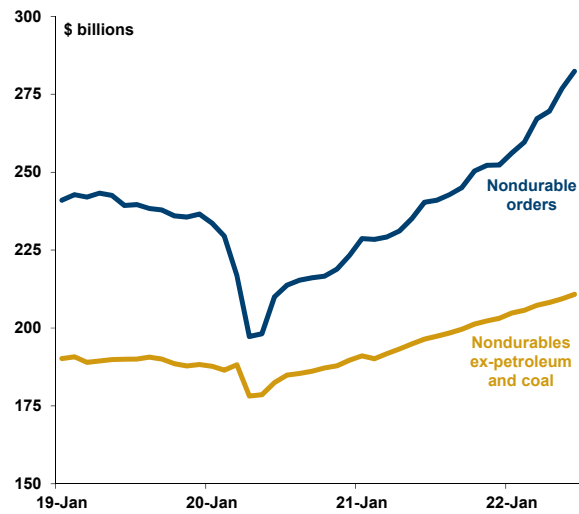
Orders for nondurable goods also rose 2.0 percent, led by an increase of 6.0 percent in the petroleum and coal category. Higher prices undoubtedly played a role in this increase, but we suspect bookings also rose in real terms, as the price of crude oil rose by less in July (4.8 percent) and the price of heating oil declined (off 5.6 percent). Nondurable orders excluding petroleum and coal rose 0.7 percent, marking the 25th increase in the past 26 months. Much of this growth reflects higher prices rather than real activity, but the gain in July might have involved a touch of growth in real terms.

Orders for Durable Goods



Source: U.S. Census Bureau via Haver Analytics

Orders for Nondurable Goods



Source: U.S. Census Bureau via Haver Analytics