

U.S. Data Review

- ISM services: a solid performance led by firm order flows

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ISM Services Index

The services index released by the Institute for Supply Management increased 0.2 index point in August to 56.9, a firmer performance than the expected decline of 1.4 index points. The measure is off sharply from the recent high of 68.4 in November of last year, but it has held up well despite slower growth and aggressive tightening of monetary policy by the Federal Reserve.

The new orders component led the advance in August with an increase of 1.9 index points to 61.8 -- the firmest reading of the year thus far and close to the robust average of 63.4 in 2021 (chart). With orders holding up well, the business activity index improved, rising 1.0 index point to 60.9. The employment index moved above the critical value of 50 in August (+1.1 index points to 50.2), but this measure had been below 50 in four of the prior seven months and some survey respondents emphasized the continued inability to fill positions.

The supplier deliveries component fell 3.3 index points to 54.5 after a drop of 4.1 points in July. While the decline was a drag on the headline index, the downtrend since readings of 75.7 in October/November of last year (and record high of 78.3 in April 2020) suggest continued easing in supply constraints that have plagued businesses throughout the current expansion.

The price index slipped 0.8 index point to 71.5, the fourth consecutive decline from the record high of 84.6 in April. The index, though, remained elevated from a longer-term perspective. Prices in the services sector of the economy have not fallen to the degree that they have in the manufacturing sector, where prices of commodities and raw materials factor more prominently into total costs. (The price measure reported with the ISM manufacturing index published last week showed a drop of 7.5 index points to 52.5; readings in the upper 70s and 80s were common in the past two years.)

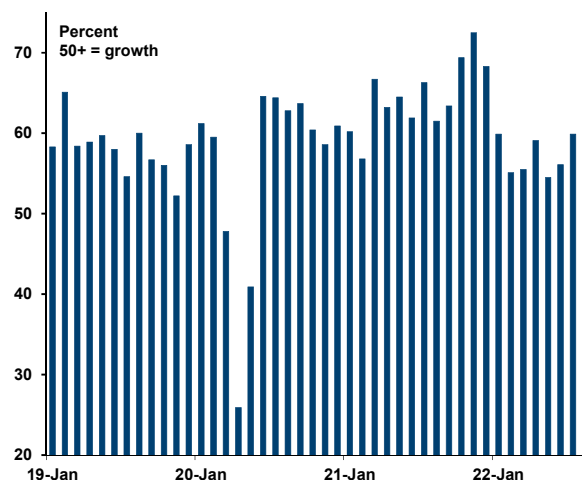
ISM Services: Monthly Indexes

	Apr-22	May-22	Jun-22	Jul-22	Aug-22
ISM Nonmfg. Composite	57.1	55.9	55.3	56.7	56.9
Business activity	59.1	54.5	56.1	59.9	60.9
New orders	54.6	57.6	55.6	59.9	61.8
Employment	49.5	50.2	47.4	49.1	50.2
Supplier deliveries*	65.1	61.3	61.9	57.8	54.5
Prices	84.6	82.1	80.1	72.3	71.5

* 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: New Orders Index



Source: Institute for Supply Management via Haver Analytics

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