

U.S. Data Review

- ISM services: firm readings on business activity and new orders; employment signals contraction
- Unemployment claims: initial claims move up while continuing claims inch lower

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ISM Services Index

- The Institute for Supply Management’s services index rose 3.4 percentage points in September to 54.9 – exceeding by a wide margin the average of 51.5 in the first eight months of 2024 and the most favorable readings since a 55.0 print in February 2023. The results far exceeded the Bloomberg median expectation of a pickup of 0.2 percentage point to 51.7. In the latest month, three of four indexes that contribute to the composite rose with employment being the exception.
- The business activity and new orders components stood out on the firm side in September, with the former rising 6.6 percentage points to 59.9 (the highest reading since a print of 61.2 in May) and the latter advancing 6.4 percentage points to 59.4 (the strongest reading since an observation of 62.3 in February 2023; charts, below). The elevated reading on new orders, in particular, is encouraging, as it indicates that a brisk pace of business activity can be supported in the months ahead.

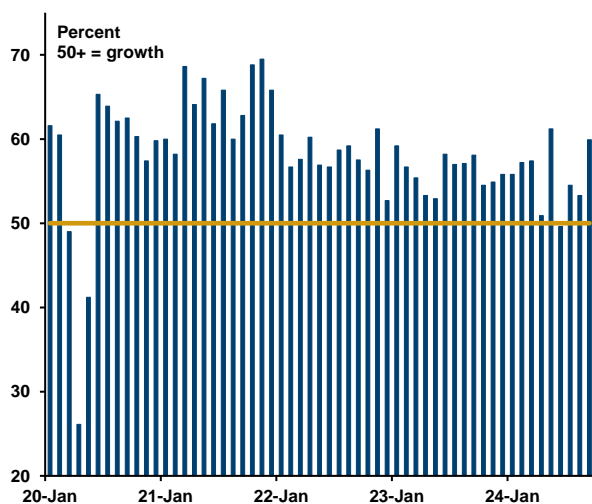
ISM Services: Monthly Indexes*

	May-24	Jun-24	Jul-24	Aug-24	Sep-24
ISM Nonmfg. Composite	53.8	48.8	51.4	51.5	54.9
Business activity	61.2	49.6	54.5	53.3	59.9
New orders	54.1	47.3	52.4	53.0	59.4
Employment	47.1	46.1	51.1	50.2	48.1
Supplier deliveries*	52.7	52.2	47.6	49.6	52.1
Prices	58.1	56.3	57.0	57.3	59.4

* 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.

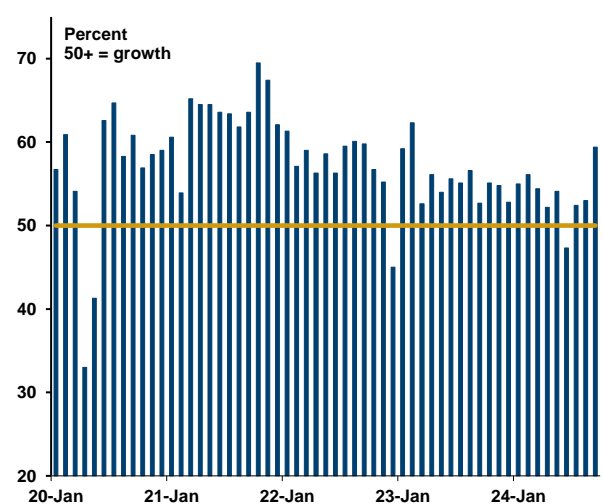
Source: Institute for Supply Management via Haver Analytics

ISM Services: Business Activity Index



Source: Institute for Supply Management via Haver Analytics

ISM Services: New Orders Index

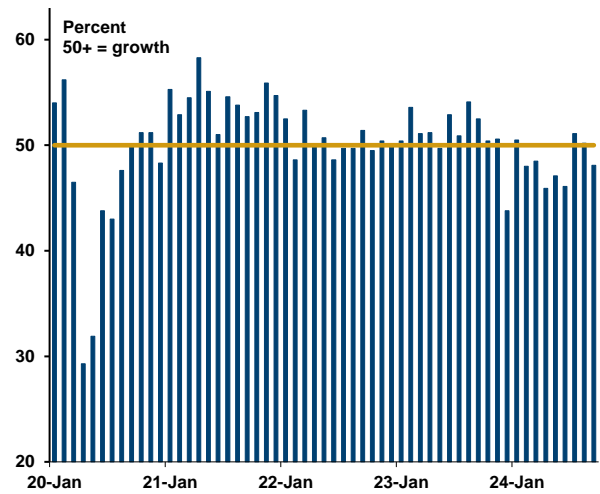


Source: Institute for Supply Management via Haver Analytics

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- The employment index, in contrast, was disappointing. The measure fell 2.1 percentage points to 48.1, the sixth contractionary measure of 2024 thus far (chart, right). Despite the soft reading, the labor market appears on track, with unemployment claims remaining relatively low (see below) and average monthly payroll growth of 184,000 through August (September data released Friday).

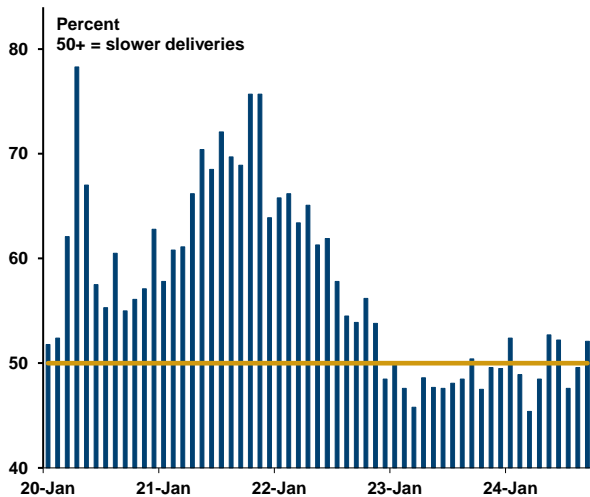
ISM Services: Employment Index



Source: Institute for Supply Management via Haver Analytics

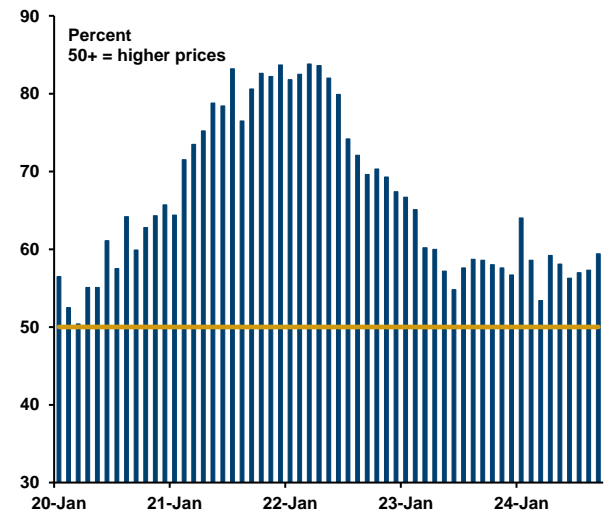
- The supplier deliveries component rose by 2.5 percentage points to 52.1, the fourth observation of the year above the 50.0 threshold and one indicative of “slower” deliveries (chart, below left). However, while suggesting a modestly less favorable performance than last month, the index is well below the average of 67.6 in 2021 (with yearly highs of 75.7 in October/November of that year) when supply chains were experiencing severe pressure. Thus, the latest observation is still indicative of well-functioning supply chains. (For reference, readings below 50.0 imply faster delivery times, while readings above 50.0 percent suggest slower deliveries. Above-50 readings contribute positively to the composite even though they may potentially indicate supply chain snags and delays.)
- The prices index rose 2.1 percentage points to 59.4, the highest reading since an observation of 64.0 in January 2024 (chart, below right). Although prices have increased for 88 consecutive months, the average of 58.1 percent in 2024 thus far is below the 59.3 average last year and well off the elevated average of 76.4 in 2022. In essence, the price index is within the longer-run range.

ISM Services: Supplier Deliveries Index



Source: Institute for Supply Management via Haver Analytics

ISM Services: Prices Index



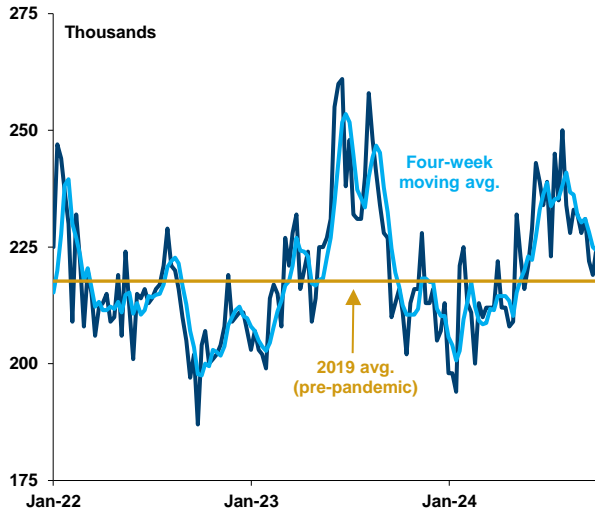
Source: Institute for Supply Management via Haver Analytics

Unemployment Claims

- Initial claims for unemployment insurance increased in the week ending September 28, rising by 6,000 to 225,000, a reading equal to the trailing 4-week moving average. Claims have drifted lower since reaching a cycle peak of 250,000 last July but have yet to breach through the 2019 pre-pandemic average of 218,000 (a period when the labor market was viewed as firm), remaining above that level for the 19th consecutive week (chart, next page, below left). That said, we suspect that weather effects from Hurricane Helene (coupled with strike-related port closures on the East and Gulf coasts) to feed through to claims data in coming weeks.

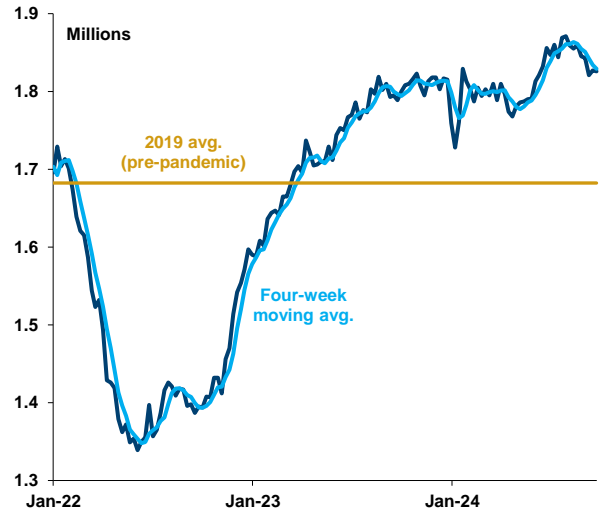
- Continuing claims, on the other hand, decreased marginally in the week ending September 21, falling by 1,000 to 1.826 million. Of note, the latest dip followed a revision in the prior week (1.827 million versus a preliminary estimate of 1.834), indicating that claims are actually below previously believed levels. The four-week moving average dropped in tandem, declining by 4,750 to 1.829 million, its sixth consecutive decline. Claims have remained above the 2019 pre-pandemic average of approximately 1.7 million since the spring of 2023, although we view this development as a rebalancing in previously tight conditions in the labor market as opposed to disorderly deterioration (chart, below right).

Initial Claims for Unemployment Insurance



Source: U.S. Department of Labor via Haver Analytics

Continuing Claims for Unemployment Insurance



Source: U.S. Department of Labor via Haver Analytics