

June ISM Non-Manufacturing Index

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- The ISM non-manufacturing index declined to 52.2 in June, coming in below the consensus expected 54.0. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The key sub-indexes were mostly lower in June, but all remain above 50. The new orders index declined to 50.8 from 56.0 and the business activity index fell to 51.7 from 56.5. The supplier deliveries index slipped to 51.5 in June from 52.0. The exception was the employment index, which rose to 54.7 from 50.1.
- The prices paid index rose to 52.5 in June from 51.1 in May.

Implications: The ISM service report fell to the lowest level since 2010 in June, signaling a return to recession and a high risk of complete economic Armageddon. Not! The report showed continued growth in the service sector, with the 42nd consecutive month of expansion. Like we said a month ago, when the ISM services report beat consensus expectations, “nothing in the report is reason to worry or reason to get too excited.” Both reports signal continued moderate economic growth. Although the business activity index, – which has a stronger correlation with economic growth than the overall index – fell to 51.7, the employment index rose to 54.7, the highest in four months. Companies would not be ramping up hiring if they really suspected a slowdown in production. More likely, the dip this month reflects the vagaries of business sentiment that often influence this particular indicator. Pessimistic analysts have been touting the end of the payroll tax cut and the federal spending sequester as reasons to expect weaker economic growth. But the truth, from looking at the data over the past few months, is little to no significant impact from these events on the consumer or economy and we do not think there will be. Other recent news refutes the pessimistic theories. Yesterday, automakers reported that cars and light trucks were sold at a 16.0 million annual rate in June, up 4.2% from May, up 11% from a year ago, and the fastest pace since late 2007. On the inflation front, the prices paid index rose to 52.5. Right now, inflation is not a problem. But monetary policy is very loose and we still expect it to be a gradually growing problem over the next few years.

ISM Nonmanufacturing: NMI Composite Index
 SA, 50+=Increasing



ISM: Nonmfg: Prices Index
 SA, 50+ = Econ Expand



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Jun-13	May-13	Apr-13	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	52.2	53.7	53.1	53.0	54.1	52.7
Business Activity	51.7	56.5	55.0	54.4	55.5	52.4
New Orders	50.8	56.0	54.5	53.8	54.8	54.7
Employment	54.7	50.1	52.0	52.3	54.1	52.7
Supplier Deliveries (NSA)	51.5	52.0	51.0	51.5	51.9	51.0
Prices	52.5	51.1	51.2	51.6	55.1	51.0

Source: Institute for Supply Management