

## July ISM Non-Manufacturing Index

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- The ISM non-manufacturing index increased to 58.7 in July, easily beating the consensus expected 56.5. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were all higher in July, and all remain at 50 or above. The business activity index jumped to 62.4 from 57.5 while the new orders index increased to 64.9 from 61.2. The employment index moved higher to 56.0 from 54.4 while the supplier deliveries index rose to 51.5 from 51.0.
- The prices paid index declined to 60.9 in July from 61.2 in June.

**Implications:** The ISM service report boomed in July, beating the forecast from all 73 economic groups that made a prediction and coming in at the highest reading since December 2005. The ISM service sector has now shown expansion for a 54th consecutive month. Paired with the strong ISM manufacturing report from Friday, it's clear that production has bounced back from the harsher than normal winter. The business activity index— which has a stronger correlation with economic growth than the overall index – rose 4.9 points in July to 62.4, the highest reading for the index in more than three years. New orders continue to show strong gains, rising 3.7 points in July to 64.9, a 10-year high. After a drop back in April, the employment index has expanded for each of the past three months and, with this month's reading of 56.0, has moved above the average reading of 54.4 seen in 2013. On the inflation front, the prices paid index dipped slightly to a still elevated 60.9 in July from 61.2 in June. Still no sign of runaway inflation, but given loose monetary policy, we expect this measure to either stay elevated or even move upward over the coming year. Once again, we have a report showing the Plow Horse economy may be starting to trot. In other recent news, cars and light trucks were sold at a 16.4 million annual rate in July, down from the 16.9 million rate seen in June, but up 4.3% from a year ago. We believe the decline in July is temporary and the upward trend of the past several years will continue in the year ahead.

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>	Jul-14	Jun-14	May-14	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Composite Index</b>	58.7	56.0	56.3	57.0	55.2	55.9
<b>Business Activity</b>	62.4	57.5	62.1	60.7	58.5	59.5
<b>New Orders</b>	64.9	61.2	60.5	62.2	58.3	57.7
<b>Employment</b>	56.0	54.4	52.4	54.3	52.5	53.9
<b>Supplier Deliveries (NSA)</b>	51.5	51.0	50.0	50.8	51.3	52.5
<b>Prices</b>	60.9	61.2	61.4	61.2	59.4	58.3

Source: Institute for Supply Management