

# June ISM Non-Manufacturing Index

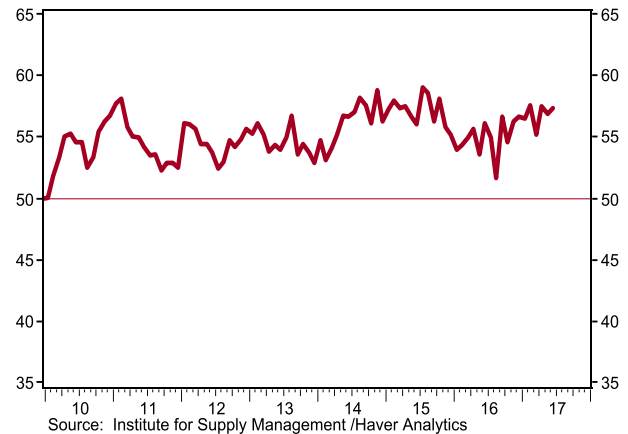
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- The ISM non-manufacturing index rose to 57.4 in June, coming in well above the consensus expected 56.5. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly higher in June, and all stand above 50, signaling expansion. The new orders index rose to 60.5 from 57.7 in May, while the supplier deliveries index increased to 52.5 from 51.5. The business activity moved to 60.8 from 60.7 in May. The employment index declined to 55.8 from 57.8.
- The prices paid index rose to 52.1 from 49.2 in May.

**Implications:** Service sector activity picked up the pace in June, with the ISM non-manufacturing index reporting a very healthy reading of 57.4. Continuing the broad-based strength reported from the service sector over the past year, sixteen of eighteen industries reported growth in June, while just one, “other services,” reported contraction. Meanwhile the most forward looking indexes – new orders and business activity – have both shown the strongest starts to a year in more than a decade. As we have said before, monthly data can be volatile, it’s the trend that matters, and the trend is pointing to growth across sectors that should continue in the months ahead. The employment index was the sole major measure to move lower in June. With a reading of 55.8 in June, this signals growth at a slower pace. However, we like to look at a wide range of labor market indicators when forecasting employment growth, and other data also released this morning helps provides a better picture. The ADP employment report showed a 158,000 gain in private payrolls in June while initial jobless claims rose 4,000 last week to 248,000. Meanwhile continuing claims increased 11,000 to 1.96 million. Taking these all together suggests nonfarm payrolls increased by around 180,000 in June, a pickup from the 138,000 jobs added in May. On the inflation front, the prices paid index rose back above 50, a sign of inflation, led by beef and poultry prices. In full, the ISM services report – paired with positive readings from the manufacturing sector - shows a growing economy that should only get stronger with improved policies on taxation and regulation.

**ISM Nonmanufacturing: NMI Composite Index**

SA, 50+=Increasing



**ISM Nonmanufacturing: Prices Index**

SA, 50+ = Economy Expanding



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Jun-17	May-17	Apr-17	3-month moving avg	6-month moving avg	Year-ago level
<b>Composite Index</b>	<b>57.4</b>	56.9	57.5	57.3	56.9	56.1
<b>Business Activity</b>	<b>60.8</b>	60.7	62.4	61.3	61.1	58.8
<b>New Orders</b>	<b>60.5</b>	57.7	63.2	60.5	60.0	58.9
<b>Employment</b>	<b>55.8</b>	57.8	51.4	55.0	54.4	52.5
<b>Supplier Deliveries (NSA)</b>	<b>52.5</b>	51.5	53.0	52.3	51.9	54.0
<b>Prices</b>	<b>52.1</b>	49.2	57.6	53.0	54.9	54.6

Source: Institute for Supply Management

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