

July ISM Non-Manufacturing Index

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- The ISM non-manufacturing index declined to 53.9 in July, coming in well below the consensus expected 56.9. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were all lower in July, but all stand above 50, signaling expansion. The new orders index declined to 55.1 from 60.5 in June, while the business activity index fell to 55.9 from 60.8. The employment index moved lower to 53.6 from 55.8 in June. The supplier deliveries index slipped to 51.0 from 52.5.
- The prices paid index rose to 55.7 from 52.1 in June.

Implications: The pace of service sector growth slowed in July, but remained in expansion territory for a 91st consecutive month. While some may focus on the pullback in the headline number, fifteen of eighteen industries reported growth in July, while just two reported contraction. And comments from survey respondents show a positive outlook for the months ahead. The most forward looking indexes – new orders and business activity – showed the largest reductions in the pace of growth, but they are coming off somewhat hot readings in the second quarter. In other words, we don't see any reason for concern. 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 showed a dip from June, moving to 53.6 from 55.8. We like to look at a wide range of labor market indicators when forecasting employment growth, and other recently released data helps provides a better picture. The ADP employment report showed a 178,000 gain in private payrolls in July while initial jobless claims fell 5,000 last week to 240,000. Meanwhile continuing claims increased 3,000 to 1.97 million. Taking these all together suggests nonfarm payrolls increased by around 169,000 in July, just a bit below the average monthly growth of 176,000 to date in 2017. On the inflation front, the prices paid index rose to 55.7 in July, the highest reading since April, as rising costs for airplane parts and meats lead the way. When viewed as a whole, today's reading on the service sector shows steady growth that looks set to continue into the months ahead. The plow horse plows on.

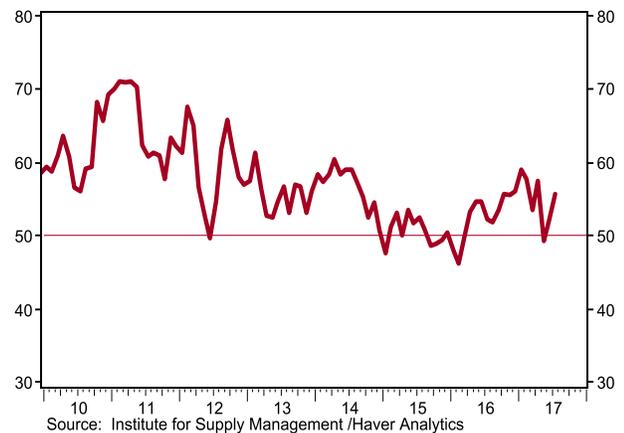
ISM Nonmanufacturing: NMI Composite Index

SA, 50+=Increasing



ISM Nonmanufacturing: Prices Index

SA, 50+ = Economy Expanding



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Jul-17	Jun-17	May-17	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Composite Index	53.9	57.4	56.9	56.1	56.4	54.9
<i>Business Activity</i>	55.9	60.8	60.7	59.1	60.4	58.9
<i>New Orders</i>	55.1	60.5	57.7	57.8	59.4	58.5
<i>Employment</i>	53.6	55.8	57.8	55.7	54.2	51.3
<i>Supplier Deliveries (NSA)</i>	51.0	52.5	51.5	51.7	51.7	51.0
Prices	55.7	52.1	49.2	52.3	54.3	52.3

Source: Institute for Supply Management