

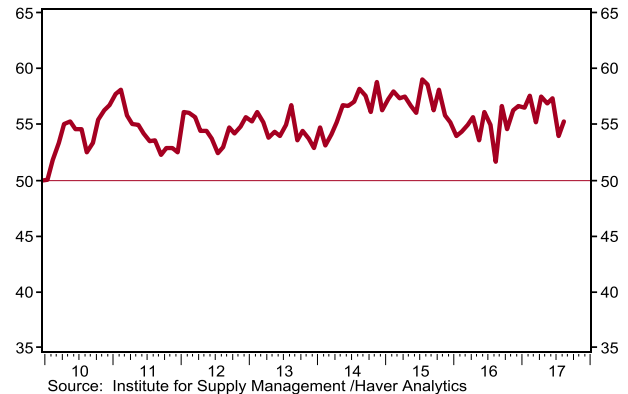
# August ISM Non-Manufacturing Index

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- The ISM non-manufacturing index rose to 55.3 in August, coming in below the consensus expected 55.6. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly higher in August, and all stand above 50, signaling expansion. The employment index increased to 56.2 from 53.6 in July, while the new orders activity index rose to 57.1 from 55.1. The business activity index moved higher to 57.5 from 55.9 in July. The supplier deliveries index declined to 50.5 from 51.0.
- The prices paid index rose to 57.9 from 55.7 in July.

**Implications:** A strong report from the service sector in August, with all major measures of activity showing growth. And the pickup in activity was broad based, with fifteen of eighteen industries reporting growth in August, while just two reported contraction. The most forward looking indexes – new orders and business activity – both ticked higher in August after showing continued, but slower, growth in July. Given both the improved pace of new orders and optimism in comments from survey respondents, the coming months look likely to continue the positive trend in the largest part of the economy. That isn't to say there won't be volatility as we enter the final third of the year, but continued growth in both the manufacturing and service sectors show an economy ready for higher interest rates. The employment index also ticked higher in August, moving to 56.2 from 53.6. This comes in contrast to the employment data reported last Friday showing nonfarm payrolls rose 156,000 in August compared to 189,000 nonfarm jobs added in July. Data can be volatile from month-to-month, and August payroll data is notorious for upward revisions in following months, which today's service sector suggests is likely to be the case again this year. On the inflation front, the prices paid index rose to 57.9 in August, the highest reading since January, as rising costs for fuels and metals led the way. When viewed as a whole, today's reading on the service sector shows healthy economic activity in Q3, and a positive outlook as we approach the holiday season. 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>	Aug-17	Jul-17	Jun-17	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Composite Index</b>	<b>55.3</b>	53.9	57.4	55.5	56.0	51.7
<b>Business Activity</b>	<b>57.5</b>	55.9	60.8	58.1	59.4	52.4
<b>New Orders</b>	<b>57.1</b>	55.1	60.5	57.6	58.8	52.0
<b>Employment</b>	<b>56.2</b>	53.6	55.8	55.2	54.4	51.0
<b>Supplier Deliveries (NSA)</b>	<b>50.5</b>	51.0	52.5	51.3	51.7	51.5
<b>Prices</b>	<b>57.9</b>	55.7	52.1	55.2	54.3	51.8

Source: Institute for Supply Management