

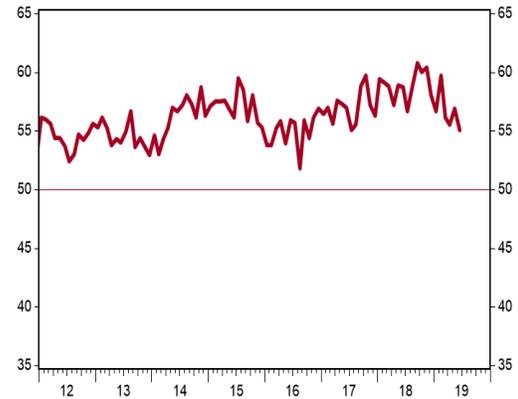
## June ISM Non-Manufacturing Index

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- The ISM Non-Manufacturing index declined to 55.1 in June, below the consensus expected 56.0. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly lower in June, but all came in above 50, signaling growth. The employment index fell to 55.0 from 58.1 in May, while the business activity index dropped to 58.2 from 61.2. The new orders index declined to 55.8 from 58.6 in May. The supplier deliveries index rose to 51.5 from 49.5.
- The prices paid index rose to 58.9 from 55.4 in May.

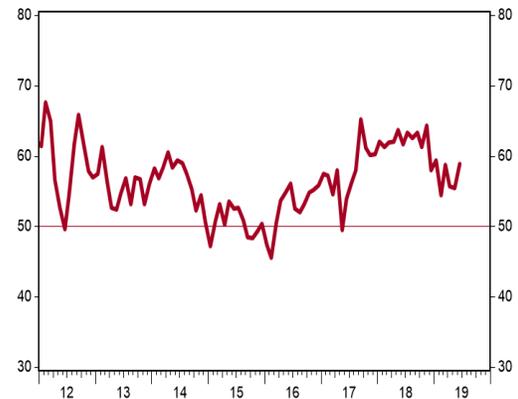
**Implications:** The rate of growth in the service sector slowed in June, with the headline index falling to its lowest level in nearly two years. However, it still showed growth and we anticipate a re-acceleration in the economy in the second half of the year. It's important to recognize that sixteen of eighteen service sub-sectors reported growth in May, while only one – arts, entertainment & recreation - reported contraction. And, if survey respondent comments are any indication, direct impacts from the China tariff tiff remain minor, with only the construction and retail sectors claiming increased costs. It looks like the bigger issue surrounding trade continues to be uncertainty as to the final results, not impacts from what has/is happening. The two most forward-looking indices – new orders and business activity – both moved lower in June but remain at healthy levels. The new orders index declined to 55.8 from 58.6 in May, while business activity moved down to 58.2 from 61.2. Notably, both indices are just one month away from marking ten consecutive years of expansion. Add in companies running at or near capacity with the backlog of orders index rising in June, and both measures should remain elevated in the coming months. Companies are investing, but it takes time for new capacity to come online. The one major component to show an acceleration in growth in June was the prices index, which jumped to its highest level since January. Paying up for qualified labor continues to be a dominant theme, while fuel and dairy costs also contributed to higher prices in June. The tight labor market was also evident in the employment index, which fell to 55.0 in June from 58.1. More pessimistic analysts are likely to pair this reading with this morning's below-consensus ADP employment report to claim the strong labor market has reached its peak. However, we remain positive about the job market and are currently forecasting that nonfarm payrolls rose by around 155,000 in June, double the pace of May's tepid reading.

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



Source: Institute for Supply Management/Haver Analytics

ISM Nonmanufacturing: Prices Index  
 SA, 50+ = Economy Expanding



Source: Institute for Supply Management/Haver Analytics

Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Jun-19	May-19	Apr-19	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Composite Index</b>	<b>55.1</b>	56.9	55.5	55.8	56.7	58.7
<b>Business Activity</b>	<b>58.2</b>	61.2	59.5	59.6	60.1	62.8
<b>New Orders</b>	<b>55.8</b>	58.6	58.1	57.5	59.1	62.0
<b>Employment</b>	<b>55.0</b>	58.1	53.7	55.6	56.0	54.4
<b>Supplier Deliveries (NSA)</b>	<b>51.5</b>	49.5	50.5	50.5	51.4	55.5
<b>Prices</b>	<b>58.9</b>	55.4	55.7	56.7	57.1	61.6

Source: Institute for Supply Management