

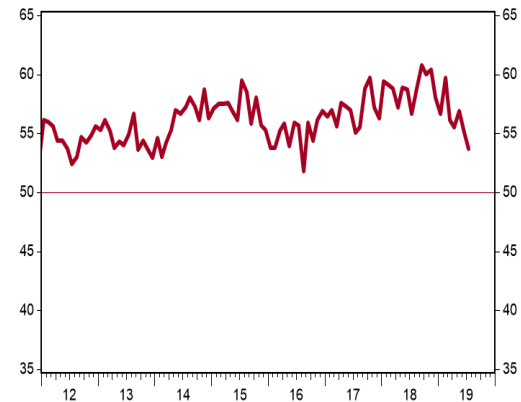
July ISM Non-Manufacturing Index

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- The ISM Non-Manufacturing index declined to 53.7 in July, lagging the consensus expected 55.5. (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 rose to 56.2 from 55.0 in June, while the business activity index dropped to 53.1 from 58.2. The new orders index declined to 54.1 from 55.8 in June. The supplier deliveries remained unchanged at 51.5.
- The prices paid index fell to 56.5 from 58.9 in June.

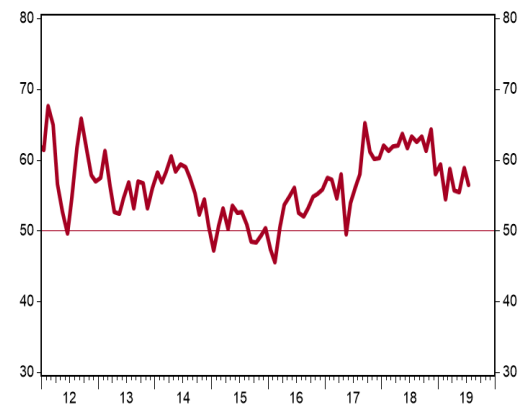
Implications: The rate of growth in the service sector continued to decelerate in July, with the headline index falling to the lowest level in nearly three years. However, it still showed growth and we anticipate a re-acceleration in the service side of the economy in the second half of the year. It's important to recognize that thirteen of eighteen service sub-sectors reported growth in July, while only five reported contraction. And, if survey respondent comments are any indication, direct impacts from the China tariff dispute remain minor, with only the construction and management/support services sectors claiming increased costs. It looks like the bigger issue surrounding trade continues to be the uncertainty regarding a potential resolution, not impacts from what has/is happening. And the negative sentiment that reflects this uncertainty in the headline numbers may get worse before it gets better, with the Trump Administration's latest tariff escalation set to take place September 1st if no deal is reached. The two most forward-looking indices – new orders and business activity – both fell to the lowest levels since August 2016, but remain in expansionary territory. The new orders index declined to 54.1 from 55.8 in June, while business activity moved down to 53.1 from 58.2. It's also worth pointing out that despite the recent slowdown in the pace of growth, as of this month both indices have now been in expansion for ten consecutive years. Price pressures also eased in the service sector in July, led lower by bacon, fuel and steel. Ending on a bright note, the one major category to show growth in July was employment which rose to 56.2 in July from 55.0 in June. Both finding and paying up for qualified labor continues to be a dominant theme in survey responses as well, reflecting the ongoing tightness in the labor market.

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>	Jul-19	Jun-19	May-19	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Composite Index	53.7	55.1	56.9	55.2	56.2	56.7
Business Activity	53.1	58.2	61.2	57.5	59.0	57.7
New Orders	54.1	55.8	58.6	56.2	58.5	59.4
Employment	56.2	55.0	58.1	56.4	55.7	56.6
Supplier Deliveries (NSA)	51.5	51.5	49.5	50.8	51.4	53.0
Prices	56.5	58.9	55.4	56.9	56.6	63.3

Source: Institute for Supply Management