

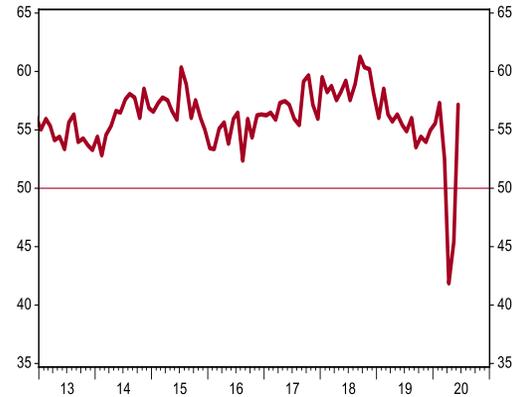
June ISM Non-Manufacturing Index

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- The ISM Non-Manufacturing index rose to 57.1 in June, easily beating the consensus expected 50.2. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mostly higher in June. The business activity index surged to 66.0 from 41.0 in May, while the new orders index jumped to 61.6 from 41.9. The employment index increased to 43.1 from 31.8 in May. The supplier deliveries index declined to 57.5 from 67.0.
- The prices paid index rose to 62.4 from 55.6 in May.

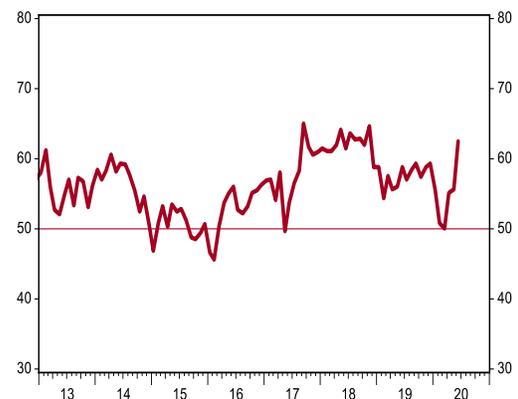
Implications: A strong surprise to the upside from the service sector, as the ISM Non-Manufacturing Index recorded its largest single-month increase (by far) in the series history dating back to 1997. The 11.7 point jump in the overall index brought the service sector reading comfortably back into growth territory at 57.1 (remember, readings above 50 signal expansion). In total, fourteen of eighteen companies reported growth in June, while three reported contraction (one reported no change). And the underlying indices showed improvement across the board. The one index that declined – supplier deliveries – increases when companies report longer delivery delays (typically a sign of more demand than companies can fill in a timely manner), so the continued decline in June means fewer delays. In the current situation, delivery slowdowns had been due to supply chain constraints and lowered production levels, so fewer delays are a good sign. The key comment from respondents on the supply chain situation showed that “delivery delays appear to have largely shaken out, and most products are becoming readily available with normal lead/shipping times.” In other words, deliveries are getting back to “normal.” The two most forward-looking indices – business activity and new orders – both saw massive improvements in June. Activity rose 25.0 points, the largest monthly increase in the index’s history, beating last month’s 15.0 point gain that previously held the distinction of largest monthly improvement. The new orders index followed suit, up 19.7 points (also a record for the series), to a healthy reading of 61.6. For both orders and activity, 15 of 18 industries reported growth, with just one - “other services” - reporting contraction (two industries reported no change). The only main sub-index to remain in contraction territory was employment, which rose 11.3 points to a reading of 43.1 in June. That said, we received the employment report last Thursday, which showed 4.8 million jobs added in June. For more details on the June employment progress, [click here](#). On the inflation front, the prices paid index rose to 62.4 from 55.6 in May. Rising costs for meats, cleaning products, and medical supplies (like N95 masks) lead the index higher. The data will likely remain volatile over the weeks and months ahead as the virus – and state responses – impact the ability for companies to operate. While cases have picked up in some states, we are far better prepared to combat the virus and serve those infected, which suggests less of a need for broad-based shutdowns like we saw in March and April. Pair the pandemic with the civil unrest, and the one certainty is that we live in uncertain times. But history shows that, when push comes to shove, [the US always responds](#). We don’t expect that this time will be any different.

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-20	May-20	Apr-20	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Composite Index	57.1	45.4	41.8	48.1	51.6	55.4
Business Activity	66.0	41.0	26.0	44.3	50.0	58.4
New Orders	61.6	41.9	32.9	45.5	51.4	56.6
Employment	43.1	31.8	30.0	35.0	43.4	55.2
Supplier Deliveries (NSA)	57.5	67.0	78.3	67.6	61.5	51.5
Prices	62.4	55.6	55.1	57.7	54.9	58.8

Source: Institute for Supply Management