

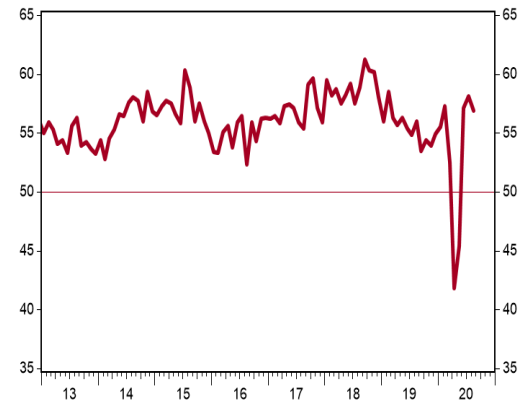
August ISM Non-Manufacturing Index

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- The ISM Non-Manufacturing index declined to 56.9 in August, narrowly missing the consensus expected 57.0. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mixed in August. The new orders index declined to 56.8 from 67.7 in July, while the business activity index fell to 62.4 from 67.2. The employment index rose to 47.9 from 42.1 in July, and the supplier deliveries index increased to 60.5 from 55.2.
- The prices paid index rose to 64.2 from 57.6 in July.

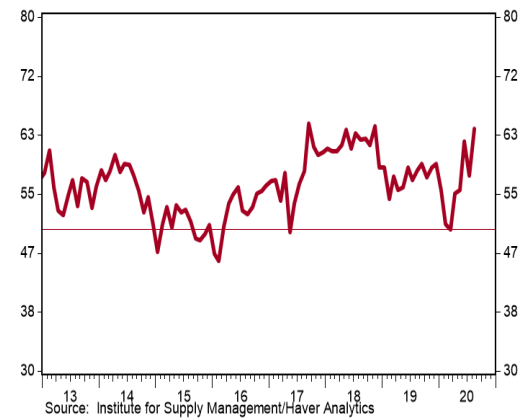
Implications: The service sector continues to grow out of its second quarter COVID-19 slump, once again recording a reading comfortably in expansion territory. (Remember, readings above 50 signal expansion). In total, fifteen of eighteen companies reported growth in August, while three reported contraction. The two most forward-looking indices – business activity and new orders – turned lower in August, following record high readings in July. New orders activity is being driven by both a return of activity (to quote one survey respondent “business activity is thriving again...”) and expectations for a strong holiday season on the horizon (“gearing up manufacturing and distribution for an extraordinary e-commerce Christmas”). Business activity remains elevated, with customers returning to work and the new orders activity requiring ramp ups to fulfill demand. Two indices rose in August; supplier deliveries and employment. It’s worth noting that the supplier deliveries index increases when companies report longer delivery delays (typically a sign of more demand than companies can fill in a timely manner), and the turn higher in the index comes in contrast to supply chain easing seen over the last three months. The improvements since May have largely been a reflection of production coming gradually back online, while the tick higher in August reflects increasing demand outpacing the return back to activity, resulting in longer lead times. The employment index continues to remain in contraction territory, but moved higher to 47.9 from 42.1 in July. While we do anticipate a slowdown in the pace of jobs growth when we get the employment report this Friday, we are currently forecasting 1.670 million nonfarm payroll jobs were added last month. With most COVID-19 cases continuing to trend lower across the country, progress in job gains look likely to continue for the foreseeable future. On the inflation front, the prices paid index rose to 64.2 from 57.6 in July. Cleaning products, medical supplies (like N95 masks), and construction contractors continue to lead the index higher. Taken as a whole, today’s report further confirms what the preponderance of the economic reports have been telling us over recent months, the recovery has started and the trend is higher. Nobody knows with certainty where exactly things will go from here, be it COVID-19 or the elections. What we do know is that our ability to identify, respond to, and treat cases as they arise continues to strengthen with each passing day. And regardless of the outcome in November, the entrepreneurs and innovators aren’t going to stop driving innovation – and the U.S. - forward.

ISM Services: Services PMI Composite Index
 SA, 50+=Increasing



Source: Institute for Supply Management/Haver Analytics

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



Source: Institute for Supply Management/Haver Analytics

Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Aug-20	Jul-20	Jun-20	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	56.9	58.1	57.1	57.4	52.0	56.0
Business Activity	62.4	67.2	66.0	65.2	51.8	60.4
New Orders	56.8	67.7	61.6	62.0	52.3	59.6
Employment	47.9	42.1	43.1	44.4	40.3	53.7
Supplier Deliveries (NSA)	60.5	55.2	57.5	57.7	63.4	50.5
Prices	64.2	57.6	62.4	61.4	57.5	58.4

Source: Institute for Supply Management