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## July ISM Non-Manufacturing Index

- The ISM Non-Manufacturing index declined to 52.7 in July, below the consensus expected 53.1 (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mostly lower in July. The business activity index declined to 57.1 from 59.2, while the new orders index fell to 55.0 from 55.5. The employment index dropped to 50.7 from 53.1, while the supplier deliveries index ticked up to 48.1 from 47.6.
- The prices paid index rose to 56.8 in July from 54.1 in June.

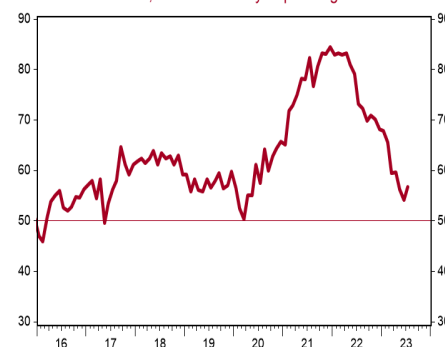
**Implications:** No sign of a recession in the services sector just yet, but the sector is growing at a slower pace. Activity continued to expand in July with fourteen out of eighteen major industries reporting growth. Contrast this with the [July ISM report](#) on the manufacturing sector – where activity contracted for the ninth month in a row and only two industries reported growth – businesses and consumers are clearly shifting their preferences back toward services following the COVID-era where goods-related activity was artificially boosted. Looking at the details of the report, respondent comments cited steady, but slower growth. This can be seen in the two forward-looking categories of the report – business activity and new orders – which both declined modestly but remain comfortably in expansion territory. Meanwhile, hiring remains a challenge in the services sector, with the employment index falling to 50.7 from 53.1 in June. Notably, some businesses reported difficulty keeping workers who are leaving for other firms that offer higher compensation. On the supply chain front, the supplier deliveries index contracted for the sixth month in a row, signaling shorter lead times for businesses. Respondent comments confirm that supply chains have finally stabilized following the COVID disaster. Despite normalized supply chains, inflation remains a problem in the services sector. The prices index rose to 56.8 in June, with fifteen industries reporting paying higher prices in the month. We expect the services sector to keep inflation trending above the Fed’s 2.0% target for some time.

**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

<b>Non-Manufacturing ISM Index</b> <i>Seasonally Adjusted Unless Noted</i>	<b>Jul-23</b>	<b>Jun-23</b>	<b>May-23</b>	<b>3-month moving avg</b>	<b>6-month moving avg</b>	<b>Year-ago level</b>
<b>Composite Index</b>	<b>52.7</b>	53.9	50.3	52.3	52.5	56.4
<b>Business Activity</b>	<b>57.1</b>	59.2	51.5	55.9	55.3	59.0
<b>New Orders</b>	<b>55.0</b>	55.5	52.9	54.5	55.7	59.1
<b>Employment</b>	<b>50.7</b>	53.1	49.2	51.0	51.5	49.5
<b>Supplier Deliveries (NSA)</b>	<b>48.1</b>	47.6	47.7	47.8	47.6	57.8
<b>Prices</b>	<b>56.8</b>	54.1	56.2	55.7	58.6	73.2

Source: Institute for Supply Management