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June ISM Non-Manufacturing Index

- The ISM Non-Manufacturing index declined to 54.0 in June, matching consensus expectations. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mostly lower in June. The business activity index fell to 55.4 from 57.7, and the new orders index declined to 55.1 from 57.3. The employment index rose to 51.2 from 47.9, and the supplier deliveries index fell to 54.4 from 55.2.
- The prices paid index fell to 67.7 in June from 71.3 in May.

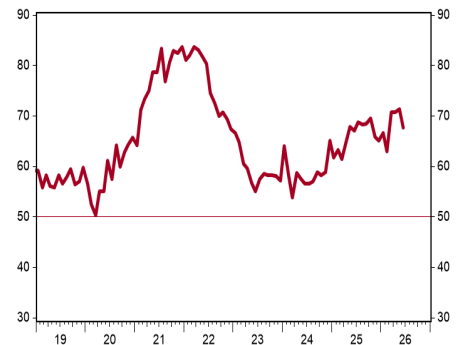
Implications: Service activity remained in expansion in June, although at a slower pace than the prior month, with the ISM Services Index declining to 54.0 from 54.5 in May. However, the details are more promising than the headline suggests. The drop comes in spite of increased hiring efforts and some signs of improvement on the inflation front. Looking at the details, overall growth was broad in June, with fourteen out of the eighteen major service industries reporting expansion, while four reported contraction. And while the major measures of activity were mostly lower in June, each stands above 50.0, signaling expansion. The business activity index fell to 55.4 from 57.7 while the new orders index declined to 55.1 from 57.3. Both forward-looking indices have shown expansion in each of the last twelve months. As caution surrounding supply chain issues from the Middle East continue to ease, confidence in the near-term economic outlook has returned. As a result, service companies have started to increase their hiring efforts again, with the employment index reaching 51.2, the first time in expansion territory since February. One month does not make a trend, but the reading above 50 is a welcome sign for a services industry which has struggled with consistency in hiring since 2023. Unfortunately, the highest reading of any index was once again the prices index, which moderated to 67.7 in June, a significant fall from the 45-month high of 71.3 set in May. Though the index remains elevated, it is well below the worst we saw during the COVID supply-chain disruptions, when the index reached the low 80s. While the ongoing conflict in Iran is expected to affect input prices in the short-term, we will continue to monitor the M2 money supply – which has grown slowly over the last 3+ years – to determine whether these signals are likely to turn into longer-term inflationary pressure.

ISM Services: Services PMI Composite Index
 SA, 50+ = Economy Expanding



Source: Institute for Supply Management/Haver Analytics

ISM Services: Prices Index
 SA, 50+ = Increasing



Source: Institute for Supply Management/Haver Analytics

Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Jun-26	May-26	Apr-26	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Composite Index	54.0	54.5	53.6	54.0	54.3	50.8
Business Activity	55.4	57.7	55.9	56.3	56.7	53.9
New Orders	55.1	57.3	53.5	55.3	56.4	51.4
Employment	51.2	47.9	48.0	49.0	49.1	47.7
Supplier Deliveries (NSA)	54.4	55.2	56.8	55.5	55.1	50.3
Prices	67.7	71.3	70.7	69.9	68.3	67.1

Source: Institute for Supply Management