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July ISM Non-Manufacturing Index

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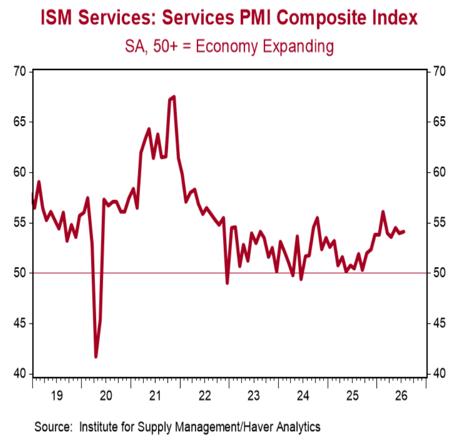
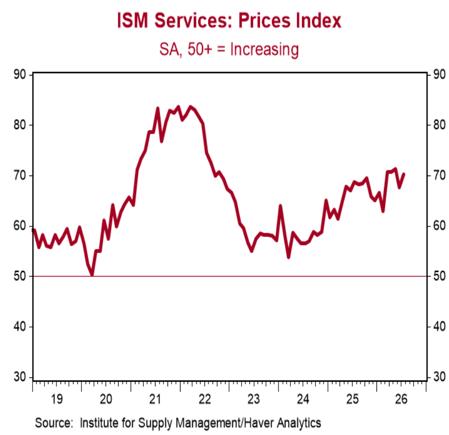
- The ISM Non-Manufacturing index rose to 54.1 in July, narrowly lagging the consensus expected 54.5. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mixed in July. The business activity index increased to 59.1 from 55.4 and the new orders index rose to 57.2 from 55.1. The employment index declined to 47.4 from 51.2 and the supplier deliveries index fell to 52.8 from 54.4.
- The prices paid index rose to 70.3 in July from 67.7 in June.





Implications: Service activity continued to expand in July, as the ISM Services Index rose slightly to 54.1 from 54.0 in June. Increased business activity, boosted in part by the World Cup, kept the services industry expanding despite a reignition in prices and a weakening near-term economic outlook stemming from the war in the Middle East. That said, the services industry has been resilient this entire year. Despite the war and the ever-changing tariff landscape, service activity has expanded on the faster end of post-pandemic levels in 2026, with the services index reading above 53.0 for eight consecutive months, the first time since 2022 that has been the case. Looking at the details, overall growth was broad in July, with thirteen out of the eighteen major service industries reporting expansion, while four reported contraction, and one reported no change. The major measures of activity were mixed in July. The business activity index rose to 59.1 from 55.4, while the new orders index rose to 57.2 from 55.1. Both forward-looking indices have shown expansion in each of the last twelve months. As caution surrounding supply-chain issues from the Middle East have resurfaced, temporary confidence in the near-term economic outlook has diminished. As a result, service companies slowed hiring efforts once again, with the employment index falling to 47.4 from 51.2. Unfortunately, the highest reading of any index was once again the prices index, which rose to 70.3 in July, now the fourth time in the last five months the index has breached 70.0. 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. On the employment front, ADP's measure of private payrolls increased 44,000 in July versus a consensus expected 65,000. We're estimating Friday's official report will show a nonfarm payroll gain of 90,000 with the unemployment rate remaining steady at 4.2%.

Non-Manufacturing ISM Index *Seasonally Adjusted Unless Noted*	Jul-26	Jun-26	May-26	3-month *moving avg*	6-month *moving avg*	Year-ago *level*
Composite Index	**54.1**	54.0	54.5	54.2	54.4	50.5
Business Activity	**59.1**	55.4	57.7	57.4	57.0	53.0
New Orders	**57.2**	55.1	57.3	56.5	57.1	51.0
Employment	**47.4**	51.2	47.9	48.8	48.6	46.9
Supplier Deliveries (NSA)	**52.8**	54.4	55.2	54.1	54.9	51.0
Prices	**70.3**	67.7	71.3	69.8	69.0	68.8

Source: Institute for Supply Management