



ISM Non-Manufacturing: Continued Growth in June

July 6, 2017

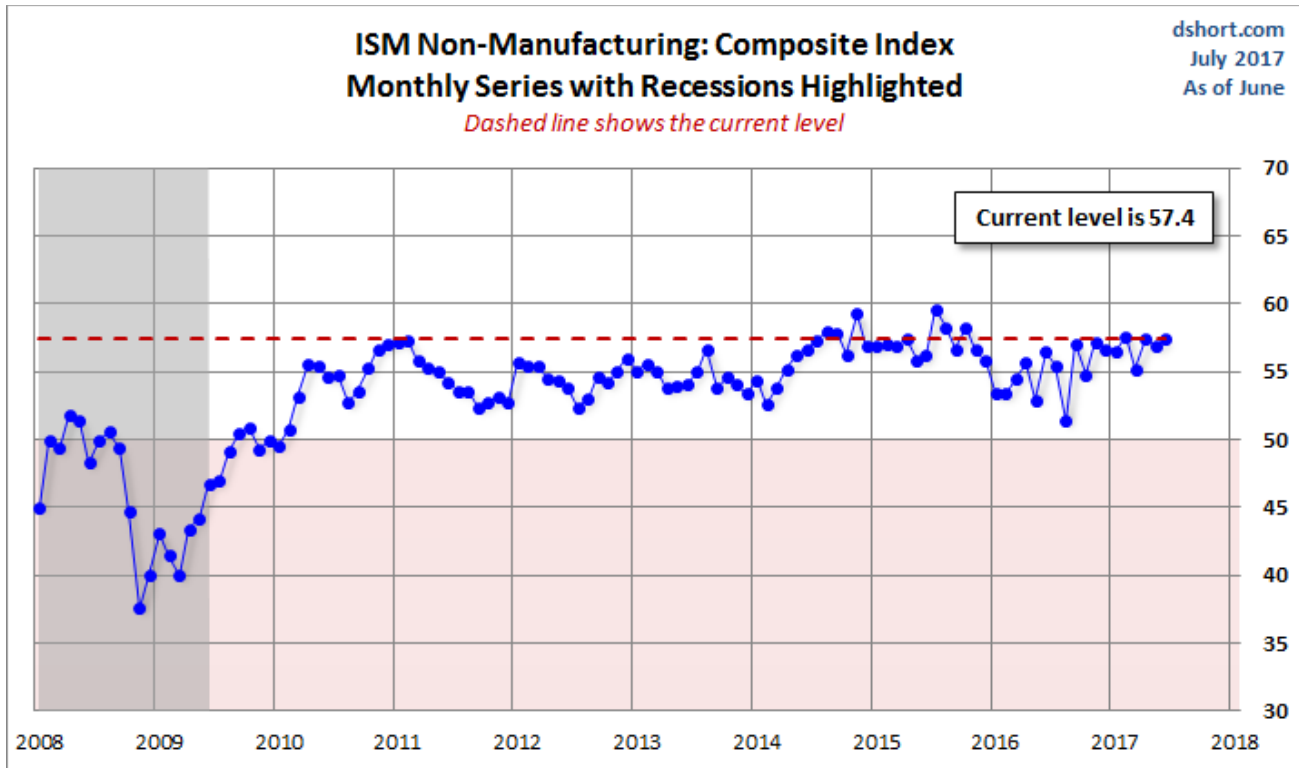
by Jill Mislinski
of Advisor Perspectives

The Institute of Supply Management (ISM) has now released the June Non-Manufacturing Purchasing Managers' Index (PMI), also known as the ISM Services PMI. The headline Composite Index is at 57.4 percent, up 0.5 from 56.9 last month. Today's number came in above the Investing.com forecast of 56.5 percent.

Here is the report summary:

"The NMI[®] registered 57.4 percent, which is 0.5 percentage point higher than the May reading of 56.9 percent. This represents continued growth in the non-manufacturing sector at a slightly faster rate. The Non-Manufacturing Business Activity Index increased to 60.8 percent, 0.1 percentage point higher than the May reading of 60.7 percent, reflecting growth for the 95th consecutive month, at a slightly faster rate in June. The New Orders Index registered 60.5 percent, 2.8 percentage points higher than the reading of 57.7 percent in May. The Employment Index decreased 2 percentage points in June to 55.8 percent from the May reading of 57.8 percent. The Prices Index increased 2.9 percentage points from the May reading of 49.2 percent to 52.1 percent, indicating prices increased in June after decreasing in May. According to the NMI[®], 16 non-manufacturing industries reported growth. The non-manufacturing sector continued to reflect strength for the month of June. The majority of respondents' comments are positive about business conditions and the overall economy." [Source]

Unlike its much older kin, the ISM Manufacturing Series, there is relatively little history for ISM's Non-Manufacturing data, especially for the headline Composite Index, which dates from 2008. The chart below shows Non-Manufacturing Composite. We have only a single recession to gauge its behavior as a business cycle indicator.

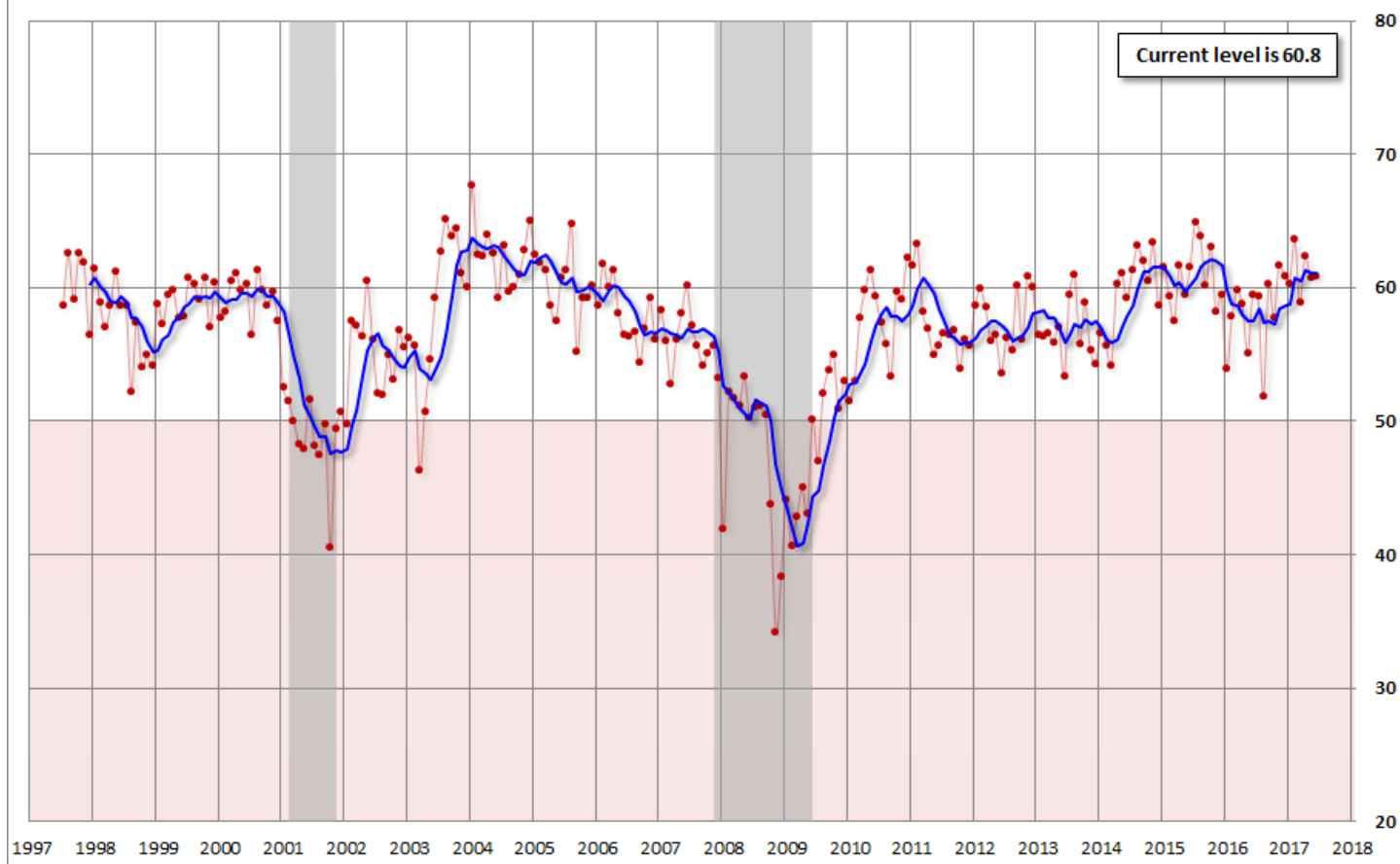


The more interesting and useful subcomponent is the Non-Manufacturing Business Activity Index. The latest data point at 60.8 percent is up 0.1 percent from a seasonally adjusted 60.7 the previous month.

ISM Non-Manufacturing: Business Activity Index Monthly Series with Recessions Highlighted

dshort.com
July 2017
Data through June

Dots are the monthly values, blue line is the 6-month moving average



For a diffusion index, this can be an extremely volatile indicator, hence the addition of a six-month moving average to help us visualize the short-term trends.

Theoretically, this indicator should become more useful as the time frame of its coverage expands. Manufacturing may be a more sensitive barometer than Non-Manufacturing activity, but we are increasingly a services-oriented economy, which explains our intention to keep this series on the radar.

Here is a table showing the trend in the underlying components.

ISM® NON-MANUFACTURING SURVEY RESULTS AT A GLANCE
 COMPARISON OF ISM® NON-MANUFACTURING AND ISM® MANUFACTURING SURVEYS*
 JUNE 2017

	Non-Manufacturing						Manufacturing		
Index	Series Index Jun	Series Index May	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Jun	Series Index May	Percent Point Change
NMI®/PMI®	57.4	56.9	+0.5	Growing	Faster	90	57.8	54.9	+2.9
Business Activity/Production	60.8	60.7	+0.1	Growing	Faster	95	62.4	57.1	+5.3
New Orders	60.5	57.7	+2.8	Growing	Faster	95	63.5	59.5	+4.0
Employment	55.8	57.8	-2.0	Growing	Slower	40	57.2	53.5	+3.7
Supplier Deliveries	52.5	51.5	+1.0	Slowing	Faster	18	57.0	53.1	+3.9
Inventories	57.5	54.0	+3.5	Growing	Faster	3	49.0	51.5	-2.5
Prices	52.1	49.2	+2.9	Increasing	From Decreasing	1	55.0	60.5	-5.5
Backlog of Orders	52.5	57.0	-4.5	Growing	Slower	5	57.0	55.0	+2.0
New Export Orders	55.0	54.5	+0.5	Growing	Faster	5	59.5	57.5	+2.0
Imports	51.0	48.5	+2.5	Growing	From Contracting	1	54.0	53.5	+0.5
Inventory Sentiment	62.0	63.0	-1.0	Too High	Slower	241	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	50.5	49.5	+1.0
Overall Economy				Growing	Faster	95			
Non-Manufacturing Sector				Growing	Faster	90			

* **Non-Manufacturing ISM® Report On Business®** data is seasonally adjusted for Business Activity, New Orders, Prices and Employment Indexes. **Manufacturing ISM® Report On Business®** data is seasonally adjusted for New Orders, Production, Employment and Supplier Deliveries.

** Number of months moving in current direction.

Here is a link to our coverage of the latest ISM Manufacturing report.