



ISM Non-Manufacturing: Continued Growth in August

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of Advisor Perspectives

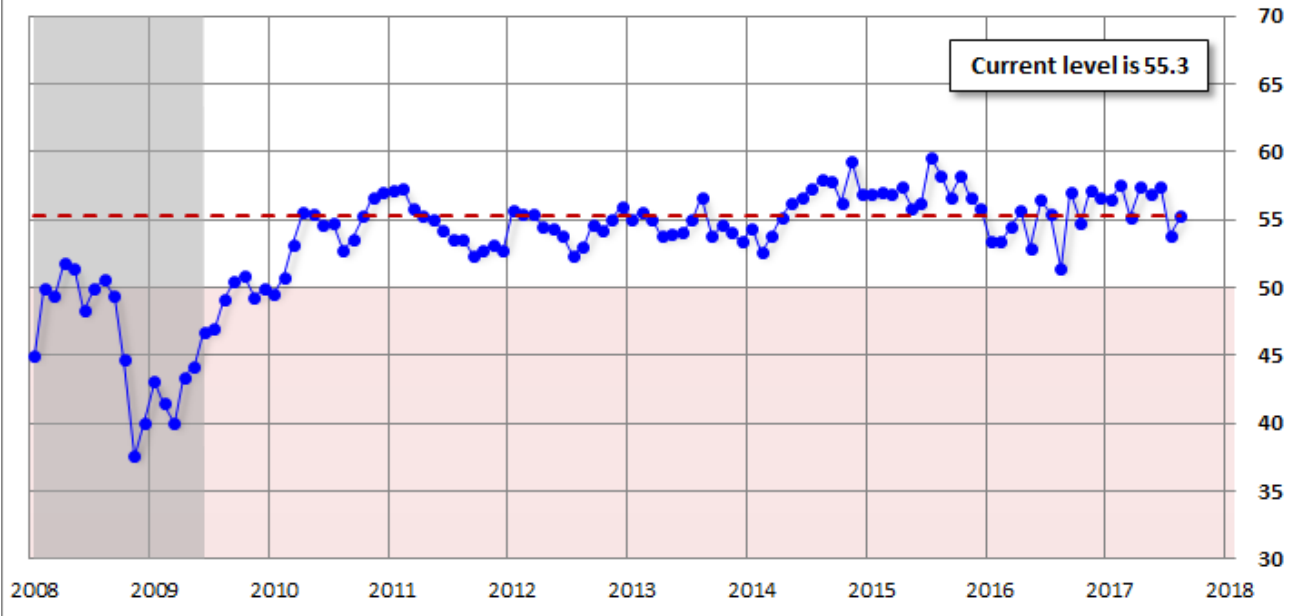
The Institute of Supply Management (ISM) has now released the August Non-Manufacturing Purchasing Managers' Index (PMI), also known as the ISM Services PMI. The headline Composite Index is at 55.3 percent, up 1.4 from 53.9 last month. Today's number came in below the Investing.com forecast of 55.4 percent.

Here is the report summary:

"The NMI[®] registered 55.3 percent, which is 1.4 percentage points higher than the July reading of 53.9 percent. This represents continued growth in the non-manufacturing sector at a faster rate. The Non-Manufacturing Business Activity Index increased to 57.5 percent, 1.6 percentage points higher than the July reading of 55.9 percent, reflecting growth for the 97th consecutive month, at a faster rate in August. The New Orders Index registered 57.1 percent, 2 percentage points higher than the reading of 55.1 percent in July. The Employment Index increased 2.6 percentage points in August to 56.2 percent from the July reading of 53.6 percent. The Prices Index increased 2.2 percentage points from the July reading of 55.7 percent to 57.9 percent, indicating prices increased in August for the third consecutive month. According to the NMI[®], 15 non-manufacturing industries reported growth. The non-manufacturing sector has rebounded from the prior month's cooling-off period. The majority of respondents are optimistic about business conditions going forward." [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.

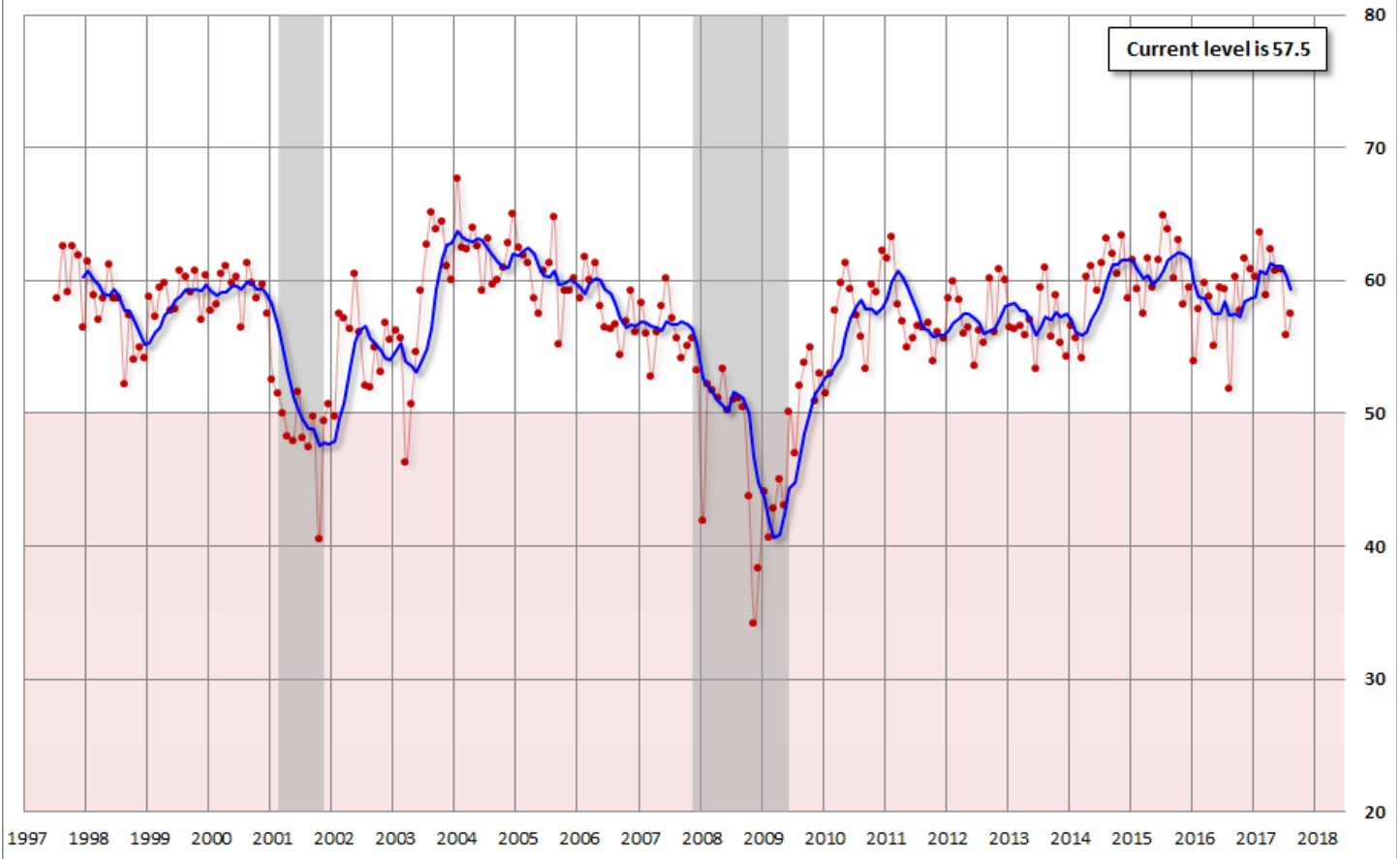
ISM Non-Manufacturing: Composite Index
Monthly Series with Recessions Highlighted
Dashed line shows the current level



The more interesting and useful subcomponent is the Non-Manufacturing Business Activity Index. The latest data point at 57.5 percent is up 1.6 percent from a seasonally adjusted 55.9 the previous month.

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

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*
 August 2017

	Non-Manufacturing						Manufacturing		
Index	Series Index Aug	Series Index Jul	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Aug	Series Index Jul	Percent Point Change
NMI®/PMI®	55.3	53.9	+1.4	Growing	Faster	92	58.8	56.3	+2.5
Business Activity/Production	57.5	55.9	+1.6	Growing	Faster	97	61.0	60.6	+0.4
New Orders	57.1	55.1	+2.0	Growing	Faster	97	60.3	60.4	-0.1
Employment	56.2	53.6	+2.6	Growing	Faster	42	59.9	55.2	+4.7
Supplier Deliveries	50.5	51.0	-0.5	Slowing	Slower	20	57.1	55.4	+1.7
Inventories	53.5	56.5	-3.0	Growing	Slower	5	55.5	50.0	+5.5
Prices	57.9	55.7	+2.2	Increasing	Faster	3	62.0	62.0	0.0
Backlog of Orders	53.5	52.0	+1.5	Growing	Faster	7	57.5	55.0	+2.5
New Export Orders	55.0	53.0	+2.0	Growing	Faster	7	55.5	57.5	-2.0
Imports	50.5	51.5	-1.0	Growing	Slower	3	54.5	56.0	-1.5
Inventory Sentiment	61.0	67.5	-6.5	Too High	Slower	243	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	41.0	49.0	-8.0
Overall Economy				Growing	Faster	97			
Non-Manufacturing Sector				Growing	Faster	92			

* **Non-Manufacturing ISM® Report On Business®** data is seasonally adjusted for the 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.