

U.S. Data Review

- ISM nonmanufacturing: a portion of lost ground recovered in May

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ISM Nonmanufacturing Index

The ISM nonmanufacturing index rose 1.4 percentage points in May to 56.9 percent, a better showing than the expected level of 55.4 percent. The measure was still below the averages of 58.9 percent in 2018 and 57.5 percent in the first quarter, but regaining some of the ground lost since the closing months of last year was encouraging nonetheless.

The employment component led the advance with an increase of 4.4 percentage points to 58.1 percent. The index did not represent a new cyclical high, but it was in the upper end of the range in the current expansion and high by historical standards (chart). The business-activity component also was firm with an increase of 1.7 percentage points to 61.2 percent. The latest reading was quite close to the average of 61.5 percent from last year and above the average of 60.6 percent in Q1. The business activity and employment indexes showed sizeable increases despite a mediocre order flow. The new orders component rose 0.5 percentage point to 58.6 percent. The level in May was respectable, but it lagged the average of 61.3 percent last year and 60.6 percent in the first quarter.

The supplier delivery component was weak, dropping 1.0 percentage point to 49.5 percent. The latest observation was the first sub-50-percent reading for this measure since December 2015. While the supplier delivery index was disappointing, we view this component as less important than new orders, employment, and business activity. These components were firm, and thus the overall report should be viewed as favorable.

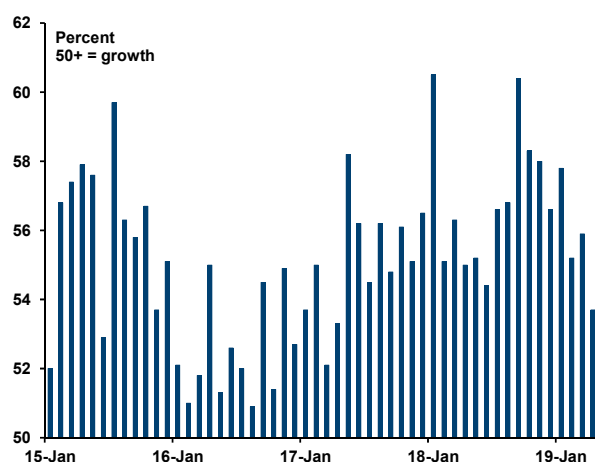
ISM Nonmanufacturing -- Monthly Indexes

	Jan-19	Feb-19	Mar-19	Apr-19	May-19
ISM Nonmfg. Composite	56.7	59.7	56.1	55.5	56.9
Business activity	59.7	64.7	57.4	59.5	61.2
New orders	57.7	65.2	59.0	58.1	58.6
Employment	57.8	55.2	55.9	53.7	58.1
Supplier deliveries*	51.5	53.5	52.0	50.5	49.5
Prices	59.4	54.4	58.7	55.7	55.4

* The supplier deliveries index is not seasonally adjusted. The index differs from the other components of the composite measure (business activity, new orders, employment) in interpretation. An index above 50 percent indicates slower deliveries and readings below 50 percent indicate faster deliveries.

Source: Institute for Supply Management via Haver Analytics

ISM Nonmanufacturing: Employment Index



Source: Institute for Supply Management via Haver Analytics

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