

U.S. Data Review

- ISM services: a new pandemic high; improvement in the employment component

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ISM Services

The services index published by the Institute for Supply Management provided a pleasant surprise in January with an increase of 1.0 percentage point to 58.7 percent, a contrast to an expected *decline* of 1.0 percentage point. The new level of the index represented the highest reading since the onset of the pandemic; one has to go back to February 2019 to find a firmer observation.

The new orders component posted a solid gain, increasing 3.2 percentage points to 61.8 percent. The latest observation did not represent a new high for the pandemic period (July posted a reading of 64.8 percent), but it matched the second best tally and was elevated relative to historical standards. Despite the jump in orders, the business activity index eased 0.6 percentage point, but the level of the index remained high at 59.9 percent.

The employment index had been lagging other components in recent months (only two observations marginally above 50 percent). However, this measure rose 6.5 percentage points in January to 55.2 percent, a respectable reading by historical standards.

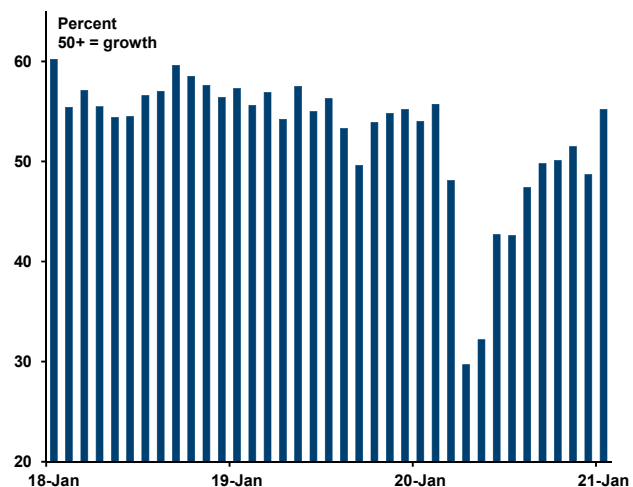
The supplier delivery index fell 5.0 percentage points to 57.8 percent, but we view this as a favorable development. The elevated reading in the prior month was probably driven by pandemic-related disruptions to supply chains. The retreat most likely signals that supply problems are being resolved and conditions are perhaps returning to normal.

ISM Services: Monthly Indexes

	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21
ISM Nonmfg. Composite	57.2	56.2	56.8	57.7	58.7
Business activity	62.8	61.1	59.6	60.5	59.9
New orders	61.4	57.3	59.0	58.6	61.8
Employment	49.8	50.1	51.5	48.7	55.2
Supplier deliveries*	55.0	56.1	57.1	62.8	57.8
Prices	58.0	62.7	63.9	64.4	64.2

* 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 Services: Employment Index



Source: Institute for Supply Management via Haver Analytics

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