

U.S. Data Review

- ISM services: softer than expected, but still firm

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ISM Services Index

The services index published by the Institute for Supply Management fell 3.9 percentage points in June to 60.1 percent, shy of the consensus estimate of 63.5 percent. Although the measure was lighter than expected, it still represented a firm reading by historical standards. Indeed, the current reading is only marginally below the record reading before the robust results in the current recovery period (previous record = 62.0 in August 1997).

All four major components contributed to the decline in the headline index. New orders fell only moderately and remained at a solid level (off 1.8 percentage points to 62.1 percent). The business activity index posted a sharp decline (off 5.8 percentage points) but the change occurred from an elevated level and the new reading remained strong at 60.4 percent. The employment index also fell sharply, and its starting point was mediocre. As a result, the measure inched below the critical value of 50 percent (49.3 percent). While the reading on employment was disappointing, we wonder if a limited supply of workers was more of a factor than soft demand.

The supplier deliveries index fell 1.9 percentage points to 68.5 percent. We have not emphasized this measure in the past, but we view it as valuable in the current setting, as it provides insights into supply-chain difficulties. The dip in June suggests that conditions have improved, but the elevated level of the index (68.5 percent) suggests that shortages and supply-chain disruptions remain an issue (chart). Prices have moved in line with the delivery index, easing some in June, but remaining quite high by historical standards.

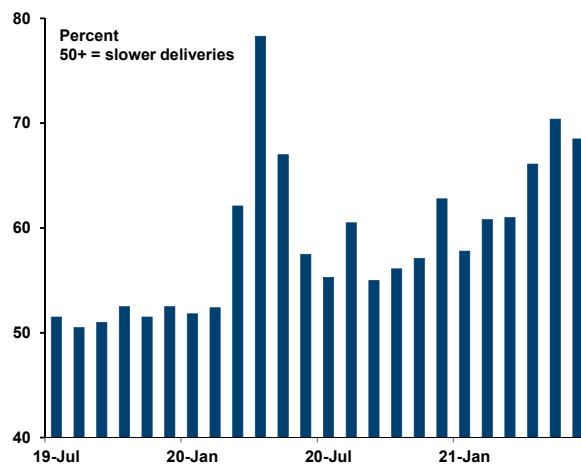
ISM Services: Monthly Indexes

	Feb-21	Mar-21	Apr-21	May-21	Jun-21
ISM Nonmfg. Composite	55.3	63.7	62.7	64.0	60.1
Business activity	55.5	69.4	62.7	66.2	60.4
New orders	51.9	67.2	63.2	63.9	62.1
Employment	52.7	57.2	58.8	55.3	49.3
Supplier deliveries*	60.8	61.0	66.1	70.4	68.5
Prices	71.8	74.0	76.8	80.6	79.5

* 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: Supplier Deliveries Index*



* An index above 50 percent indicates slower deliveries and readings below 50 percent indicate faster deliveries.

Source: Institute for Supply Management via Haver Analytics

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