

U.S. Data Review

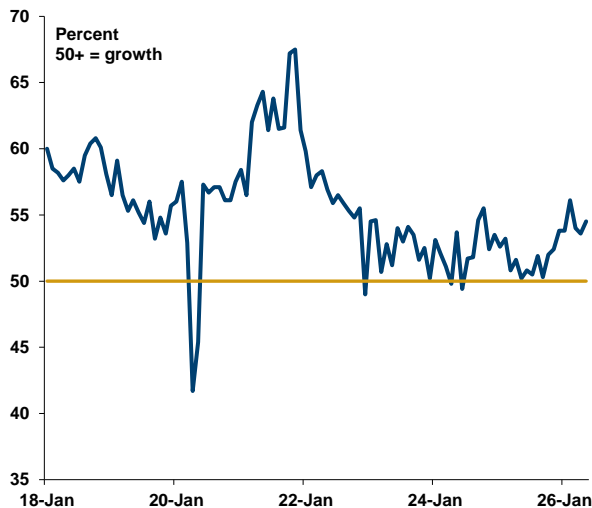
- ISM services: increase in composite led by rebound in new orders; prices rise to new multi-year high

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ISM Services Index

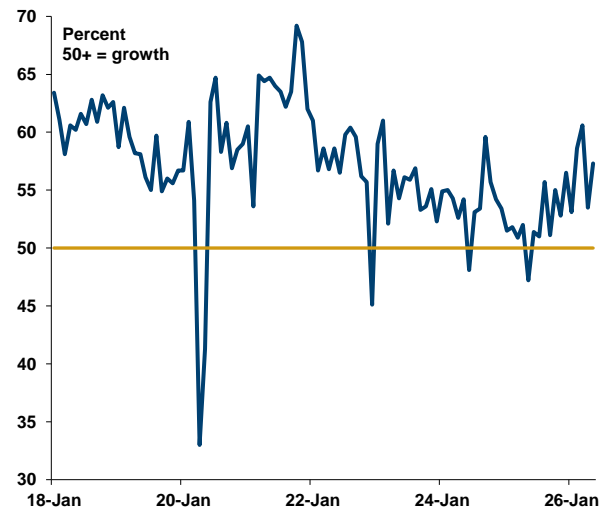
- The Institute for Supply Management's services PMI posted another favorable result in May, rising 0.9 percentage point to 54.5 percent – highlighting ongoing resilience of service-providing firms to headwinds generated by war and trade policy. The latest shift was firmer than the median expectation of an uptick to 53.8 percent from the Bloomberg economist survey and leaves the metric in expansion territory for the 23rd consecutive month. However, anecdotal responses submitted by survey participants indicate that the ongoing conflict in the Middle East has complicated supply chains, pricing, and capital investment plans (see below).
- Performance across components was mixed, with three of the four subindexes that factor into the calculation of the composite signaling expansion (unchanged from April). Once again, the most pronounced shift came from new orders, with a 3.8-percentage-point increase to 57.3 percent leaving the metric above the critical threshold for the 12th straight month. That said, while the latest advance retraced a good portion of March's 7.1-percentage-point dip, this performance may not be maintained in coming months. In that regard, Steve Miller, Chair of the ISM Services Business Survey Committee, noted in the official release: "Respondents reporting that new orders were higher than last month most frequently attributed this to seasonality."

ISM Services: Headline Index



Source: Institute for Supply Management via Haver Analytics

ISM Services: New Orders Index

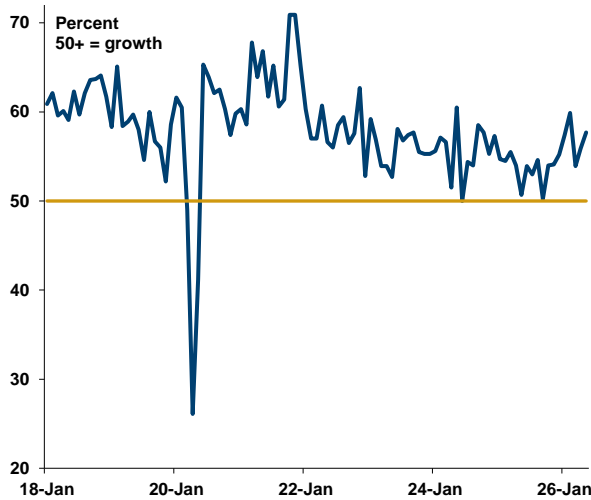


Source: Institute for Supply Management via Haver Analytics

- Turning elsewhere, business activity increased 1.8 percentage points to 57.7 percent in May, its 23rd consecutive expansionary read. Meanwhile, the employment index eased 0.1 percentage point to 47.9 percent, indicating contraction for the third straight month (and ninth in the past 12). "Respondents commented frequently that their companies had instituted hiring freezes or were not backfilling vacated positions, however, most industries reported that they were holding flat in employment month over month," noted Miller. A separate monthly report on employment from the Bureau of Labor Statistics will be published this Friday.

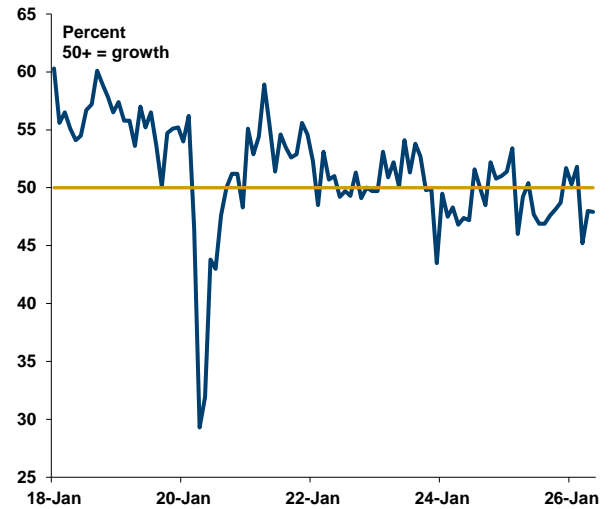
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ISM Services: Business Activity Index



Source: Institute for Supply Management via Haver Analytics

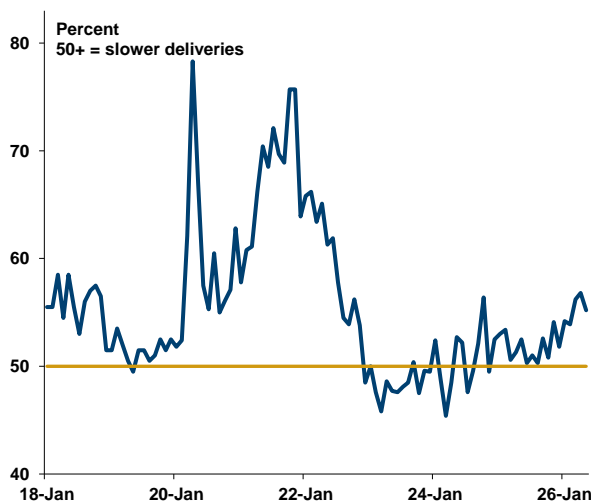
ISM Services: Employment Index



Source: Institute for Supply Management via Haver Analytics

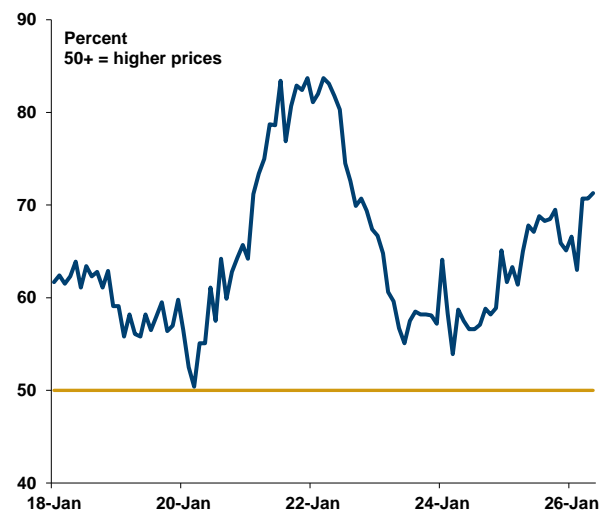
- Supplier deliveries eased 1.6 percentage points to 55.2 percent, indicating “slower” deliveries over the past 18 months (readings within the general vicinity of 50.0 percent suggest well-functioning supply chains). Similar to previous reports, the recent upward tilt seen in this series is primarily attributable to the effective closure of the Strait of Hormuz, with various survey respondents citing limited freight capacity and significant lead times.
- In light of ongoing supply chain challenges, the prices index, which doesn't factor into the composite, rose 0.6 percentage point to a 45-month high of 71.3 percent. Akin to April's release, all 18 industries surveyed by ISM reported an increase in prices paid in May, with diesel, gasoline, oil and related commodities most frequently cited as up in price. Considering that both sides seem far apart in achieving a resolution to end current militaristic tensions in the Persian Gulf, we suspect that this index could face further upward pressure in coming months.

ISM Services: Supplier Deliveries Index



Source: Institute for Supply Management via Haver Analytics

ISM Services: Prices Index



Source: Institute for Supply Management via Haver Analytics