SERVICES PMI® at 56.7%

In September, the Services PMI® registered 56.7 percent, a 0.2-percentage point decrease compared to the August reading of 56.9 percent. The 12-month average is 59.2 percent, reflecting consistently strong growth in the services sector, which has expanded for 28 consecutive months. A reading above 50 percent indicates the services sector economy is generally expanding; below 50 percent indicates the services sector is generally contracting.

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Economic activity in the services sector grew in September for the 28th month in a row — with the Services PMI® registering 56.7 percent — say the nation’s purchasing and supply executives in the latest Services ISM® Report On Business®.

According to the Services PMI®, 15 industries reported growth. The composite index indicated growth for the 28th consecutive month after a two-month contraction in April and May 2020. Growth continues — at a slightly slower rate — for the services sector, which has expanded for all but two of the last 152 months. The services sector had a slight pullback in growth for the month of September due to decreases in business activity and new orders. Employment improved and supplier deliveries slowed at a slightly slower rate. Based on comments from Business Survey Committee respondents, there have been improvements regarding supply chain efficiency, operating capacity and materials availability; however, performance remains less than ideal.

The 15 services industries reporting growth in September are: Mining; Other Services®; Educational Services; Agriculture, Forestry, Fishing & Hunting; Public Administration; Retail Trade; Wholesale Trade; Information; Utilities; Professional, Scientific & Technical Services; Health Care & Social Assistance; Finance & Insurance; Real Estate, Rental & Leasing; Construction; and Management of Companies & Support Services. ISM® Report On Business® data has been seasonally adjusted for the Business Activity, New Orders, Employment and Prices indexes.

Commodities Reported

**Commodities Up in Price:** Cheese; Chicken (2); Concrete; Dairy; Drywall; Eggs; Electrical Components (20); Electrical Equipment; Electronic Components; Food and Beverages; Furniture; Labor (22); Labor — Construction (2); Labor — Contingent (3); Labor — Full Time; Labor — Services; Labor — Temporary (2); Natural Gas (2); Paper; Pipe and Fittings; Plumbing Services; Potato Products; Semiconductors; Soybean Oil (2); Steel Products* (21); Sugar; Transformers; and Truck Rentals.

**Commodities Down in Price:** Diesel Fuel (2); Fuel (3); Gasoline (2); Lumber; Ocean Freight (2); Polyvinyl Chloride (PVC) Products; Steel; and Steel Products* (2).

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Chair of the Institute for Supply Management® Services Business Survey Committee
**Business Activity**
ISM’s Business Activity Index registered 59.1 percent. The 14 industries reporting an increase in business activity for the month of September — listed in order — are: Mining; Information; Other Services; Educational Services; Wholesale Trade; Health Care & Social Assistance; Finance & Insurance; Utilities; Agriculture, Forestry, Fishing & Hunting; Real Estate, Rental & Leasing; Public Administration; Professional, Scientific & Technical Services; Retail Trade; and Transportation & Warehousing.

**New Orders**
ISM’s New Orders Index registered 60.6 percent. Thirteen industries reported growth of new orders in September, in the following order: Mining; Other Services; Retail Trade; Educational Services; Real Estate, Rental & Leasing; Information; Public Administration; Wholesale Trade; Health Care & Social Assistance; Agriculture, Forestry, Fishing & Hunting; Professional, Scientific & Technical Services; Finance & Insurance; and Utilities.

**Employment**
ISM’s Employment Index registered 53 percent. The 10 industries reporting an increase in employment in September — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Mining; Retail Trade; Construction; Public Administration; Professional, Scientific & Technical Services; Educational Services; Other Services; Wholesale Trade; and Transportation & Warehousing.

**Supplier Deliveries**
The Supplier Deliveries Index registered 53.9 percent. The 10 industries reporting slower deliveries in September — listed in order — are: Mining; Other Services; Retail Trade; Construction; Public Administration; Professional, Scientific & Technical Services; Educational Services; Other Services; Wholesale Trade; and Transportation & Warehousing.

**Inventories**
The Inventories Index contracted in September, registering 44.1 percent. The eight industries reporting an increase in inventories in September — listed in order — are: Accommodation & Food Services; Agriculture, Forestry, Fishing & Hunting; Mining; Utilities; Information; Wholesale Trade; Public Administration; and Transportation & Warehousing.

*Other Services (services such as Equipment & Machinery Repairing; Promoting or Administering Religious Activities; Grantmaking; Advocacy; and Providing Dry-Cleaning & Laundry Services, Personal Care Services, Death Care Services, Pet Care Services, Photofinishing Services, Temporary Parking Services and Dating Services).*
Prices
The Prices Index registered 68.7 percent. All 18 services industries reported an increase in prices paid for materials and services during the month of September, in the following order: Arts, Entertainment & Recreation; Public Administration; Health Care & Social Assistance; Agriculture, Forestry, Fishing & Hunting; Management of Companies & Support Services; Utilities; Real Estate, Rental & Leasing; Finance & Insurance; Information; Retail Trade; Construction; Other Services++; Mining; Professional, Scientific & Technical Services; Educational Services; Accommodation & Food Services; Wholesale Trade; and Transportation & Warehousing.

New Export Orders
The New Export Orders Index registered 65.1 percent. The six industries reporting an increase in new export orders in September — listed in order — are: Management of Companies & Support Services; Real Estate, Rental & Leasing; Retail Trade; Information; Mining; and Educational Services.

Imports
The Imports Index grew in September after three consecutive months of contraction, registering 51.3 percent. The six industries reporting an increase in imports for the month of September — listed in order — are: Mining; Accommodation & Food Services; Educational Services; Utilities; Professional, Scientific & Technical Services; Construction; and Health Care & Social Assistance.

Backlog of Orders
The ISM Services Backlog of Orders Index registered 52.5 percent. The 10 industries reporting an increase in order backlogs in September — listed in order — are: Information; Management of Companies & Support Services; Finance & Insurance; Mining; Other Services++; Educational Services; Utilities; Professional, Scientific & Technical Services; Construction; and Health Care & Social Assistance.

Inventory Sentiment
The ISM Services Inventory Sentiment Index registered 47.2 percent. The five industries reporting sentiment that their inventories were too high in September are: Arts, Entertainment & Recreation; Retail Trade; Construction; Wholesale Trade; and Health Care & Social Assistance.

++Other Services (services such as Equipment & Machinery Repairing; Promoting or Administering Religious Activities; Grantmaking; Advocacy; and Providing Dry-Cleaning & Laundry Services, Personal Care Services, Death Care Services, Pet Care Services, Photofinishing Services, Temporary Parking Services and Dating Services).
Data and Method of Presentation

The Manufacturing ISM® Report On Business® is based on data compiled from purchasing and supply executives nationwide. The composition of the Manufacturing Business Survey Committee is stratified according to the North American Industry Classification System (NAICS) and each of the following NAICS-based industry’s contribution to gross domestic product (GDP): Food, Beverage & Tobacco Products; Textile Mills; Apparel, Leather & Allied Products; Wood Products; Paper Products; Printing & Related Support Activities; Petroleum & Coal Products; Chemical Products; Plastics & Rubber Products; Nonmetallic-Mineral Products; Primary Metals; Fabricated Metal Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Furniture & Related Products; and Miscellaneous Manufacturing (products such as medical equipment and supplies, jewelry, sporting goods, toys and office supplies). The data are weighted based on each industry’s contribution to GDP. According to the BEA estimates for 2020 GDP (released December 22, 2021), the six largest manufacturing subsectors are: Computer & Electronic Products; Chemical Products; Transportation Equipment; Petroleum & Coal Products; Food, Beverage & Tobacco Products; and Machinery. Beginning in February 2018 with January 2018 data, computation of the index is accomplished utilizing unrounded numbers.

The Services ISM® Report On Business® (formerly the Non-Manufacturing ISM® Report On Business®) is based on data compiled from purchasing and supply executives nationwide. Membership of the Services Business Survey Committee (formerly Non-Manufacturing Business Survey Committee) is diversified by NAICS, based on each industry’s contribution to gross domestic product (GDP). The Services Business Survey Committee responses are divided into the following NAICS code categories: Agriculture, Forestry, Fishing & Hunting; Mining; Utilities; Construction; Wholesale Trade; Retail Trade; Transportation & Warehousing; Information; Finance & Insurance; Real Estate, Rental & Leasing; Professional, Scientific & Technical Services; Management of Companies & Support Services; Educational Services; Health Care & Social Assistance; Arts; Entertainment & Recreation; Accommodation & Food Services; Public Administration; and Other Services (services such as Equipment & Machinery Repairing; Promoting or Administering Religious Activities; Grantmaking; Advocacy; and Providing Dry-Cleaning & Laundry Services, Personal Care Services, Death Care Services, Pet Care Services, Photofinishing Services, Temporary Parking Services, and Dating Services). The data are weighted based on each industry’s contribution to GDP. According to the BEA estimates for 2020 GDP (released December 22, 2021), the six largest services sectors are: Real Estate, Rental & Leasing; Government; Professional, Scientific, & Technical Services; Health Care & Social Assistance; Information; and Finance & Insurance. Beginning in February 2020 with January 2020 data, computation of the index is accomplished utilizing unrounded numbers.

Survey responses reflect the change, if any, in the current month compared to the previous month. Responses are raw data and are never changed. The diffusion index includes the percent of positive responses plus one-half of those responding the same (considered positive).

The resulting single index number for those meeting the criteria for seasonal adjustments (for Manufacturing: New Orders, Production, Employment, and Inventories) for Services: Business Activity, New Orders, Employment and Prices) is then seasonally adjusted to allow for the effects of repetitive intra-year variations resulting primarily from normal differences in weather conditions, various institutional arrangements, and differences attributable to non-moveable holidays. The remaining indices have not indicated significant seasonality. All seasonal adjustment factors are subject annually to relatively minor changes when conditions warrant them.

The Manufacturing PMI® is a composite index based on the diffusion indexes of five of the indexes with equal weights: New Orders (seasonally adjusted), Production (seasonally adjusted), Employment (seasonally adjusted), Supplier Deliveries, and Inventories (seasonally adjusted). The Services PMI® is a composite index based on the diffusion indexes of four of the indicators with equal weights: Business Activity (seasonally adjusted), New Orders (seasonally adjusted), Employment (seasonally adjusted) and Supplier Deliveries.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change and the scope of change.

A Manufacturing PMI® reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally declining. A Manufacturing PMI® above 48.7 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 48.7 percent, it is generally declining. The distance from 50 percent or 48.7 percent is indicative of the extent of the expansion or decline. A Services PMI® reading above 50 percent indicates that the services economy is generally expanding; below 50 percent indicates that it is generally declining. A Services PMI® above 50.1 percent, over time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 50.1 percent, it is generally declining. The distance from 50 percent or 50.1 percent is indicative of the strength of the expansion or decline. With some of the indicators within the Manufacturing ISM® Report On Business®, ISM® has indicated the departure point between expansion and decline of comparable government series, as determined by regression analysis.

About Institute for Supply Management®

Institute for Supply Management® (ISM) serves supply management professionals in more than 90 countries. Its 50,000 members around the world manage about $US 1 trillion in corporate and government supply chain procurement annually. Founded in 1915 as the first supply management institute in the world, ISM is committed to advancing the practice of supply management to drive value and competitive advantage for its members, contributing to a prosperous and sustainable world. ISM leads the profession through the ISM® Report On Business®, its highly regarded certification programs and the ISM Advance™ Digital Platform. This report has been issued by the association since 1931, except for a four-year interruption during World War II.