SERVICES PMI® at 50.6%

In December, the Services PMI® registered 50.6 percent, a 2.1-percentage point decrease compared to the November reading of 52.7 percent. A reading above 50 percent indicates the services sector economy is generally expanding; below 50 percent indicates it is generally contracting. A Services PMI® above 49.9 percent, over time, generally indicates an expansion of the overall economy. Therefore, the December Services PMI® indicates the overall economy is growing for the 12th consecutive month after one month of contraction in December 2022.

Services at a Glance

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<td>-2.1</td>
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*Number of months moving in current direction. 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: Electrical Components (2); Food & Catering; Janitorial Supplies; Labor (37); Labor — Contract (4); Labor — Construction (2); Software; Software Maintenance & Support; Steel Products; and Transformers.

Commodities Down in Price: Diesel Fuel; Fuel (3); Gasoline (2); PVC Conduit; and Solar Panels & Films.

Commodities in Short Supply: IV Products; Labor (14); Labor — Construction (4); Labor — Technical; Labor — Technology & Web Related; Transformers (16); and Vehicles (4).

Economic activity in the services sector expanded in December for the 12th consecutive month as the Services PMI® registered 50.6 percent, say the nation’s purchasing and supply executives in the latest Services ISM® Report On Business®.

The sector has grown in 42 of the last 43 months, with the lone contraction in December 2022. The Business Activity Index registered 56.6 percent, a 1.5-percentage point increase compared to the reading of 55.1 percent in November. The New Orders Index expanded in December for the 12th consecutive month after contracting in December 2022 for the first time since May 2020; the figure of 52.8 percent is 2.7 percentage points lower than the November reading of 55.5 percent. The Supplier Deliveries Index registered 49.5 percent, 0.1 percentage point lower than the 49.6 percent recorded in November. The index remained in contraction territory for the third consecutive month, indicating that supplier delivery performance was “faster” in contrast to the “slowing” status in September. In the last 11 months, the average reading of 48.3 percent (with a low of 45.8 in March) reflects the fastest supplier delivery performance since June 2009, when the index registered 46 percent.

The nine services industries reporting growth in December — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Accommodation & Food Services; Health Care & Social Assistance; Transportation & Warehousing; Other Services®; Utilities; Retail Trade; Professional, Scientific & Technical Services; and Public Administration. ISM

©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.

Note: To view the full report, visit the ISM® Report On Business® website at ismrob.org

The number of consecutive months the commodity has been listed is indicated after each item.
Business Activity
ISM’s Business Activity Index registered 56.6 percent. The 12 industries reporting an increase in business activity for the month of December — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Health Care & Social Assistance; Retail Trade; Accommodation & Food Services; Finance & Insurance; Transportation & Warehousing; Other Services; Mining; Utilities; Professional, Scientific & Technical Services; Public Administration; and Information.

Employment
The Employment Index registered 43.3 percent. The seven industries reporting an increase in employment in December — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Construction; Accommodation & Food Services; Health Care & Social Assistance; Professional, Scientific & Technical Services; Utilities; and Public Administration.

Supplier Deliveries
The Supplier Deliveries Index registered 49.5 percent. The seven industries reporting slower deliveries in December — listed in order — are: Health Care & Social Assistance; Management of Companies & Support Services; Retail Trade; Transportation & Warehousing; Utilities; Professional, Scientific & Technical Services; and Public Administration.

Inventories
The Inventories Index registered 49.6 percent. The seven industries reporting an increase in inventories in December — listed in order — are: Accommodation & Food Services; Transportation & Warehousing; Agriculture, Forestry, Fishing & Hunting; Retail Trade; Utilities; Health Care & Social Assistance; and Educational Services.

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 57.4 percent. Eleven services industries reported an increase in prices paid during the month of December, in the following order: Retail Trade; Other Services; Health Care & Social Assistance; Construction; Educational Services; Public Administration; Wholesale Trade; Utilities; Professional, Scientific & Technical Services; Finance & Insurance; and Management of Companies & Support Services.

Backlog of Orders
The ISM Services Backlog of Orders Index registered 49.4 percent. The six industries reporting an increase in order backlogs in December — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Finance & Insurance; Health Care & Social Assistance; Educational Services; Retail Trade; and Transportation & Warehousing.

New Export Orders
The New Export Orders Index registered 50.4 percent. The six industries reporting an increase in new export orders in December — listed in order — are: Accommodation & Food Services; Management of Companies & Support Services; Construction; Utilities; Wholesale Trade; and Professional, Scientific & Technical Services.

Imports
The Imports Index registered 49.3 percent. The only industry reporting an increase in imports for the month of December is Management of Companies & Support Services.

Inventory Sentiment
The ISM Services Inventory Sentiment Index registered 55.3 percent. The nine industries reporting sentiment that their inventories were too high in December — listed in order — are: Arts, Entertainment & Recreation; Other Services; Information; Mining; Agriculture, Forestry, Fishing & Hunting; Construction; Wholesale Trade; Utilities; 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).
The data presented herein is obtained from a survey of manufacturing and services supply executives based on information they have collected within their respective organizations. ISM® makes no representation, other than that stated within this release, regarding the individual company data collection procedures. The data should be compared to all other economic data sources when used in decision-making.

Data and Method of Presentation

The Manufacturing PMI® 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 2021 GDP (released December 22, 2022), the six largest manufacturing subsectors are: Computer & Electronic Products; Chemical Products; Transportation Equipment; Food, Beverage & Tobacco Products; Machinery; and Petroleum & Coal Products.

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, Day 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 2021 GDP (released December 22, 2022), the six largest services sectors are: Real Estate, Rental & Leasing; Government; Professional, Scientific, & Technical Services; Health Care & Social Assistance; Information; and Finance & Insurance.

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 indexes 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 for 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 49.9 percent, over time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 49.9 percent, it is generally declining. The distance from 50 percent or 49.9 percent is indicative of the strength of the expansion or decline. With some of the indicators of the manufacturing value chain profitability ISM® Report On Business®, ISM® has indicated the departure point between expansion and decline of comparable government series, as determined by regression analysis.

The Report On Business® surveys are sent out to Manufacturing and Services Business Survey Committee respondents the first part of each month. Respondents are asked to report on information for the current month for U.S. operations only. ISM® receives survey responses throughout most of any given month, with the majority of respondents generally waiting until late in the month to submit responses to give the most accurate picture of current business activity.

The industries reporting growth, as indicated in the monthly reports, are listed in the order of most growth to least growth. For the industries reporting contraction or decreases, those are listed in the order of the highest level of contraction/decrease to the least level of contraction/decrease.

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