SERVICES

PMI® at 48.8%

In June, the Services PMI® registered 48.8 percent, a 5 percentage point decrease compared to the May reading of 53.8 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 percent, over time, generally indicates an expansion of the overall economy. Therefore, the June Services PMI® indicates the overall economy is contracting for the first time in 17 months.

Services at a Glance

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<td>53.8</td>
<td>-5.0</td>
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<td>From Growing</td>
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<td>47.1</td>
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<td>From Growing</td>
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<td></td>
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<td>From Growing</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: Aluminum (2); Construction Contractors (6); Copper Based Products (2); Labor (43); and Labor — Technical (2).

Commodities Down in Price: Fuel (2); Lumber (2); Petroleum Based Products; and Steel Products (2).

Commodities in Short Supply: Electrical Equipment; Labor (5); Labor — Skilled; Switchgear (4); Syringes (2); and Transformers.

Economic activity in the services sector contracted in June for the second time in the last three months, say the nation’s purchasing and supply executives in the latest Services ISM® Report On Business®.

The Services PMI® registered 48.8 percent, indicating sector contraction for the third time in 49 months. In June, the Services PMI® registered 48.8 percent. The Business Activity Index registered 49.6 percent in June, which is 11.6 percentage points lower than the 61.2 percent recorded in May and the first month of contraction since May 2020. The New Orders Index contracted in June for the first time since December 2022; the reading of 46.1 percent is a 1-percentage point decrease compared to the 47.1 percent registered in May. The Prices Index registered 56.3 percent in June, a 1.8-percentage point decrease from May’s reading of 58.1 percent. The Inventories Index contracted in June registering 42.9 percent, a decrease of 9.2 percentage points from May’s figure of 52.1 percent.

The eight services industries reporting growth in June — listed in order — are: Other Services®; Management of Companies & Support Services; Health Care & Social Assistance; Construction; Utilities; Finance & Insurance; Educational Services; and Professional, Scientific & Technical 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. *Indicates both up and down in price.
Business Activity
ISM’s Business Activity Index registered 49.6 percent. The 10 industries reporting an increase in business activity for the month of June — listed in order — are: Other Services; Accommodation & Food Services; Construction; Finance & Insurance; Educational Services; Utilities; Health Care & Social Assistance; Management of Companies & Support Services; Information; and Transportation & Warehousing.

New Orders
ISM’s New Orders Index registered 47.3 percent. The 10 industries reporting an increase in new orders for the month of June — listed in order — are: Accommodation & Food Services; Other Services; Management of Companies & Support Services; Finance & Insurance; Educational Services; Health Care & Social Assistance; Utilities; Professional, Scientific & Technical Services; Information; and Wholesale Trade.

Employment
The Employment Index registered 46.1 percent. The five industries reporting an increase in employment in June are: Construction; Utilities; Management of Companies & Support Services; Wholesale Trade; and Health Care & Social Assistance.

Supplier Deliveries
In June, the Supplier Deliveries Index registered 52.2 percent. The seven industries reporting slower deliveries in June — listed in order — are: Real Estate, Rental & Leasing; Arts, Entertainment & Recreation; Health Care & Social Assistance; Educational Services; Management of Companies & Support Services; Professional, Scientific & Technical Services; and Public Administration.

Inventories
The Inventories Index registered 42.9 percent. The seven industries reporting an increase in inventories in June — in the following order — are: Construction; Mining; Other Services; Transportation & Warehousing; Wholesale Trade; Professional, Scientific & Technical Services; and Health Care & Social Assistance.

Footnote:
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 56.3 percent. Thirteen services industries reported an increase in prices paid during the month of June, in the following order: Other Services; Public Administration; Accommodation & Food Services; Wholesale Trade; Management of Companies & Support Services; Health Care & Social Assistance; Educational Services; Transportation & Warehousing; Utilities; Finance & Insurance; Retail Trade; Professional, Scientific & Technical Services; and Information.

New Export Orders
The New Export Orders Index registered 51.7 percent. The seven industries reporting an increase in new export orders in June — in the following order — are: Construction; Professional, Scientific & Technical Services; Arts, Entertainment & Recreation; Transportation & Warehousing; Finance & Insurance; Information; and Wholesale Trade.

Backlog of Orders
The ISM Services Backlog of Orders Index registered 44 percent. The five industries reporting an increase in order backlogs in June, are: Educational Services; Public Administration; Health Care & Social Assistance; Professional, Scientific & Technical Services; and Utilities.

Imports
The Imports Index registered 44 percent. The five industries reporting an increase in imports for the month of June are: Construction; Management of Companies & Support Services; Information; Professional, Scientific & Technical Services; and Health Care & Social Assistance.

Inventory Sentiment
The ISM Services Inventory Sentiment Index registered 64.1 percent. The 10 industries reporting sentiment that their inventories were too high in June — listed in order — are: Real Estate, Rental & Leasing; Retail Trade; Other Services; Utilities; Wholesale Trade; Construction; Information; Educational Services; Professional, Scientific & Technical Services; 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 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 industries’ 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, Appliance & Components; Transportation Equipment; Furniture & Leather 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 BEA estimates (the average of the fourth quarter 2022 GDP estimate and the GDP estimates for first, second, and third quarter 2023, as released on December 21, 2023), the six largest manufacturing industries are: Chemical Products; Transportation Equipment; Food, Beverage & Tobacco Products; Computer & Electronic Products; Machinery; and Fabricated Metal Products.

The Service 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 industries’ 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 BEA estimates (the average of the fourth quarter 2022 GDP estimate and the GDP estimates for first, second, and third quarter 2023, as released on December 21, 2023), the six largest service sectors are: Real Estate, Rental & Leasing; Public Administration; 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 42.5 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 42.5 percent, it is generally declining. The distance from 50 percent or 42.5 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 percent, over time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 49 percent, it is generally declining.

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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