

04.May.2022

## ISM Non-Manufacturing: Slower But Still Robust

**Bottom Line:** Activity in the service industry decelerated more than expected in April, but the overall level of the survey's index suggested activity remained historically robust. That said, new order growth decelerated and was trending lower. Prices paid rose further, pressuring service business margins. The employment index, often useful for predicting nonfarm payrolls (when available prior to the report) indicated a surprise contraction, suggesting downside risk to the consensus for Friday's payroll report (much as seen in the ADP report earlier today). Overall, there are hints of demand destruction amid higher prices but most sectors continue to see robust sales as consumers shift spending back towards services after two years of above-trend goods consumption since the pandemic.

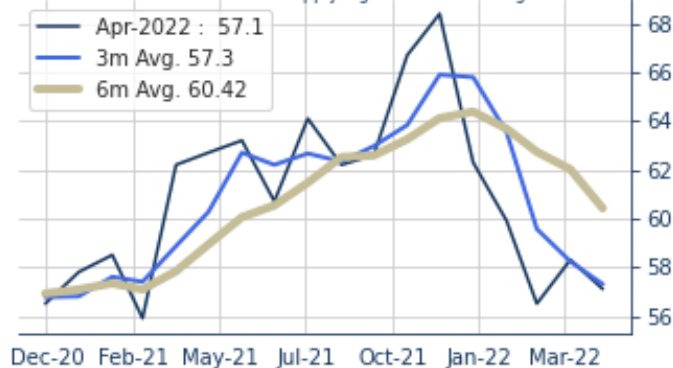
## Services PMI

### April: +57.1, consensus: +58.5



### monthly levels

Contingent Macro Advisors 2022 source: Inst. Supply Mgmt. via Bloomberg LP



**Services** PMI FELL 1.2 points to 57.1, BELOW the 3-Month average of 57.3, BELOW the 6-Month average of 60.42 and 5.6 BELOW the year-ago level.

- New orders FELL 5.5 points to 54.6, BELOW the 3-Month average of 56.93, BELOW the 6-Month average of 60.48 and 8.9 BELOW the year-ago level.
- Backorders FELL 5.1 points to 59.4, BELOW the 3-Month average of 62.7, BELOW the 6-Month average of 62.28 but 3.7 ABOVE the year-ago level.
- Export orders FELL 2.9 points to 58.1, ABOVE the 3-Month average of 57.37, ABOVE the 6-Month average of 56.23, nearly in-line with year-ago level of 58.6.
- Inventory change ROSE 0.6 points to 52.3, ABOVE the 3-Month average of 51.6, ABOVE the 6-Month average of 49.85 and 3.2 ABOVE the year-ago level.
- Inventory sentiment ROSE 6.5 points to 46.7, BELOW the 3-Month average of

47.4, ABOVE the 6-Month average of 44.07, nearly in-line with year-ago level of 46.8.

- Imports ROSE 7.9 points to 52.9, ABOVE the 3-Month average of 49.87, ABOVE the 6-Month average of 51.12 but 2.8 BELOW the year-ago level.
- Prices paid ROSE 0.8 points to 84.6, ABOVE the 3-Month average of 83.83, ABOVE the 6-Month average of 83.45 and 8.6 ABOVE the year-ago level.
- Employment FELL 4.5 points to 49.5, BELOW the 3-Month average of 50.67, BELOW the 6-Month average of 52.67 and 8.3 BELOW the year-ago level.
- Supplier Deliveries ROSE 1.7 points to 65.1, ABOVE the 3-Month average of 64.9, BELOW the 6-Month average of 66.67 but 1 BELOW the year-ago level.

### ***Quotes from the Survey:***

- “Pricing pressures and product availability issues continue to be extremely problematic.” [Accommodation & Food Services]
- “Mortgage rates have skyrocketed. While relatively low from a historical perspective, the new rates — combined with historically high home prices — will temper new home demand at some point over the next 12 months.” [Construction]
- “Large construction projects have been mostly constrained due to continued supply chain issues and large cost increases. Continued shortages in account management continue to be a source of frustration for day-to-day operations and service.” [Educational Services]
- “Restrictions lifted as COVID-19 case volumes drop, allowing for more elective procedures and reduction in (average) length of stay. Freight costs are rising.” [Health Care & Social Assistance]
- “Overall business has softened.” [Information]
- “Business remains strong, only dampened by shortages in labor, increased material costs and lengthy lead times.” [Management of Companies & Support Services]
- “Talent shortages continue to make it difficult to get work done at companies across many industry sectors. Light industrial labor is in high demand, but supply gaps still exist. Wages continue to rise in nearly all labor categories, contributing to the rise in prices of goods and services.” [Professional, Scientific & Technical Services]
- “Inflation, supply chain issues, and access to qualified workers continue to be issues. There are still lingering effects from the pandemic, although those seem to be subsiding. The future impacts of the war in Ukraine are unclear.” [Public Administration]
- “Continued delays due to supply chain logistics issues; increased pricing across the board.” [Retail Trade]

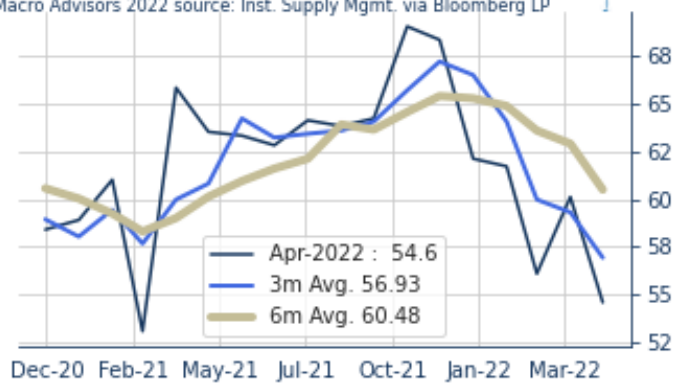
- “Fuel and chemicals continue to go up in price.” [Utilities]
- “Cost pressures beginning to slow demand.” [Wholesale Trade]

## New orders

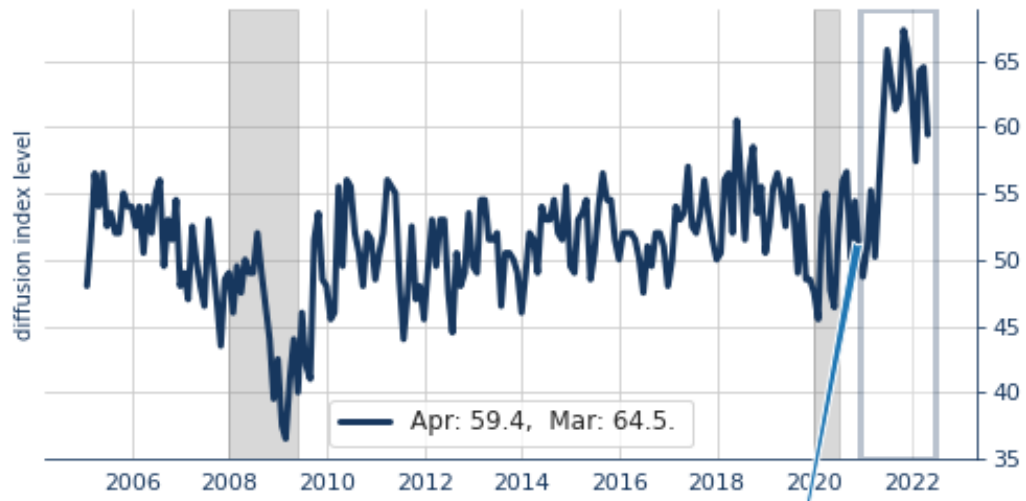


## monthly levels

Contingent Macro Advisors 2022 source: Inst. Supply Mgmt. via Bloomberg LP

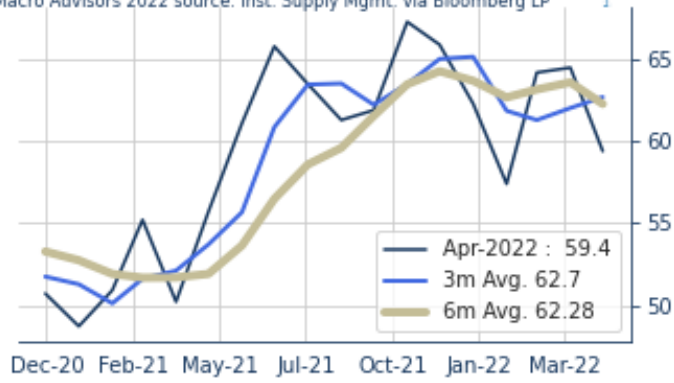


# Back orders



## monthly levels

Contingent Macro Advisors 2022 source: Inst. Supply Mgmt. via Bloomberg LP

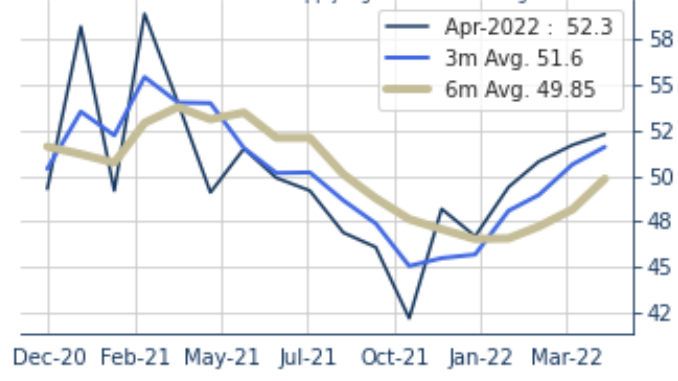


# Inventory change



## monthly levels

Contingent Macro Advisors 2022 source: Inst. Supply Mgmt. via Bloomberg LP

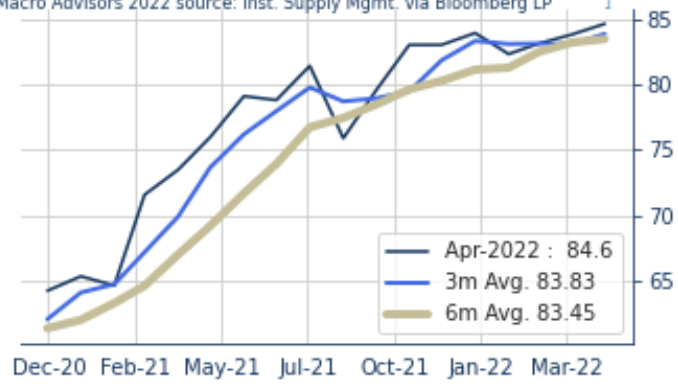


# Prices paid



## monthly levels

Contingent Macro Advisors 2022 source: Inst. Supply Mgmt. via Bloomberg LP

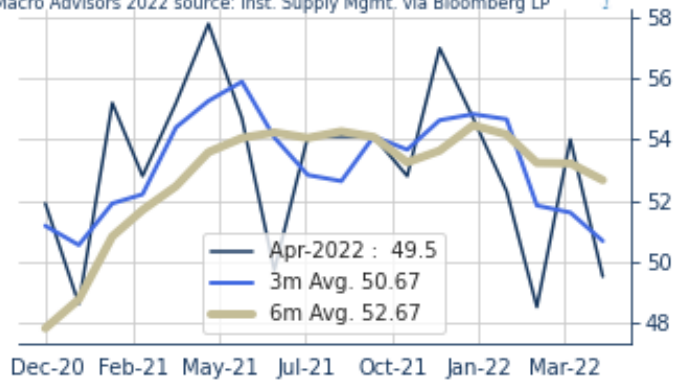


## Employment



### monthly levels

Contingent Macro Advisors 2022 source: Inst. Supply Mgmt. via Bloomberg LP



ISM Manufacturing Survey	Apr-22	Mar-22	Feb-22	3m. avg.	6m. avg.	12m. avg.	2021	5y
<b>Services PMI</b>	<b>57.1</b>	<b>58.3</b>	<b>56.5</b>	<b>57.3</b>	<b>60.4</b>	<b>61.8</b>	<b>62.5</b>	<b>57.7</b>
New orders	54.6	60.1	56.1	56.9	60.5	62.5	63.4	59.4
Back orders	59.4	64.5	64.2	62.7	62.3	62.9	60.1	54.9
Export orders	58.1	61.0	53.0	57.4	56.2	58.0	58.1	55.3
Inventory change	52.3	51.7	50.8	51.6	49.8	48.7	49.3	51.8
Inventory sentiment	46.7	40.2	55.3	47.4	44.1	42.3	43.4	54.5
Imports	52.9	45.0	51.7	49.9	51.1	51.4	52.2	51.2
Prices paid	84.6	83.8	83.1	83.8	83.4	81.5	77.5	64.5
Employment	49.5	54.0	48.5	50.7	52.7	53.0	54.4	53.3
Supplier Deliveries	65.1	63.4	66.2	64.9	66.7	68.8	67.5	58.4



Services Employ % Higher	24.6	24.9	19.4	23.0	24.4	24.4	23.9	22.6
Services Employ % Lower	23.1	15.7	25.7	21.5	20.4	18.5	15.3	16.0
Services Employ % Same	52.3	59.4	54.9	55.5	55.2	57.2	60.8	61.4

Source: Institute for Supply Management