

03.Jun.2022

ISM Non-Manufacturing: Slower But Still Robust

Bottom Line: Activity in the service industry decelerated slightly more than expected again in May, but the overall level of the survey's index suggested activity remained historically solid. After slipping for several months, the index of new orders rose, and service providers cleared order backlogs. While some sectors continue to struggle with supply chain disruptions, many sectors reported some normalization in their activities. Consistent with this morning's payroll survey, the employment index rebounded modestly. Price pressures remained an issue, with the prices paid index only declining slightly. Overall, service industry growth is decelerating but remains historically strong. While supply chain disruptions and margin pressures make the outlook highly uncertain, there are (so far) few signs that this slowdown is more than just an expected deceleration after heightened activity.

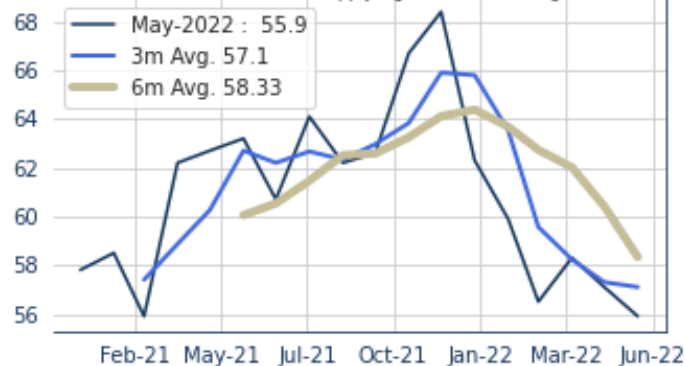
Services PMI

May: +55.9, consensus: +56.5



monthly levels

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



Services PMI FELL 1.2 points to 55.9, BELOW the 3-Month average of 57.1, BELOW the 6-Month average of 58.33, and 7.3 BELOW the year-ago level.

- New orders ROSE 3 points to 57.6, ABOVE the 3-Month average of 57.43, BELOW the 6-Month average of 58.7 but 5.7 BELOW the year-ago level.
- Back orders FELL 7.4 points to 52, BELOW the 3-Month average of 58.63, BELOW the 6-Month average of 59.97, and 9.1 BELOW the year-ago level.
- Export orders ROSE 2.8 points to 60.9, ABOVE the 3-Month average of 60, ABOVE the 6-Month average of 56.73, and 0.9 ABOVE the year-ago level.
- Inventory change FELL 1.3 points to 51, BELOW the 3-Month average of 51.67, ABOVE the 6-Month average of 50.32, nearly in line with the year-ago level of 51.5.
- Inventory sentiment FELL 2.2 points to 44.5, ABOVE the 3-Month average of 43.8, BELOW the 6-Month average of 45.42, and 4 ABOVE the year-ago level.

- Imports were nearly unchanged at 52.8, ABOVE the 3-Month average of 50.23, ABOVE the 6-Month average of 51.5, and 2.4 ABOVE the year-ago level.
- Prices paid FELL 2.5 points to 82.1, BELOW the 3-Month average of 83.5, BELOW the 6-Month average of 83.3 but 3 ABOVE the year-ago level.
- Employment ROSE 0.7 points to 50.2, BELOW the 3-Month average of 51.23, BELOW the 6-Month average of 51.53 and 4.5 BELOW the year-ago level.
- Supplier Deliveries FELL 3.8 points to 61.3, BELOW the 3-Month average of 63.27, BELOW the 6-Month average of 64.27 and 9.1 BELOW the year-ago level.

Quotes from the Survey:

- “Supply chain improving, with more reliability of supplier deliveries. Inflationary pressures increased on goods and services. Employment also improving in most markets. Fewer daily fires and more planning time.” [Accommodation & Food Services]
- “Demand seems to be very high for all of the high-voltage electric products we purchase. Lead times are quadruple what they normally are.” [Construction]
- “Long lead times continue to plague equipment deliveries; higher prices or surcharges added to pricing proposals. The ban on Russian imports is causing a shortage of gasses, especially helium. There has been an increase in new college applicants, signaling a strengthening of the higher education sector.” [Educational Services]
- “The paper industry is still being hampered by employment issues, freight costs and scarcity of truckers, as well as the war in Ukraine. European paper sent to North America is being slashed due to the war and the lack of fiber, along with high energy costs. Mills in North America are still struggling to keep up with demand.” [Information]
- “Unstable prices on various commodities are making budgetary planning difficult. We are maintaining a cautious approach due to energy costs continuing to increase.” [Management of Companies & Support Services]
- “Demand for all labor types remains strong, as open positions continue to exceed candidates to fill those positions. Light industrial, heavy industrial and information technology labor roles are particularly difficult to fill. Companies are having to pay more and offer incentives to attract talent. Resignations continue at a record pace across all age groups, and baby boomer retirements continue to increase.” [Professional, Scientific & Technical Services]
- “Concerns about how the new COVID-19 subvariants and rising cases may impact staffing.” [Public Administration]
- “Chip shortage showing no signs of easing.” [Retail Trade]

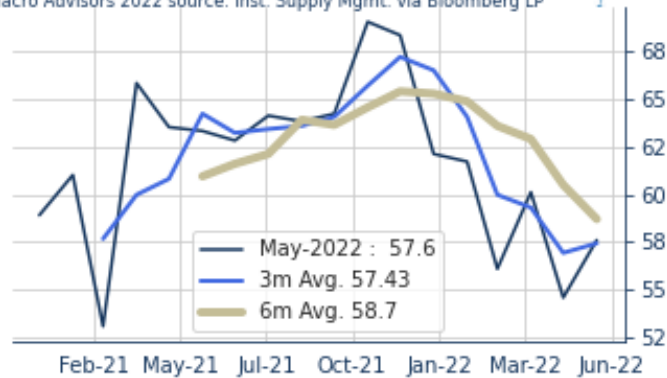
- “Exhausting. Continuous shortages, transportation delays and price increases all contribute to the destruction of historical lead times and firm commitments on delivery dates. This requires placing orders earlier and qualifying secondary sources. It is relentless.” [Utilities]
- “National consumer and builder demand continues to drive sales domestically. COVID-19 in China continues to affect our supply chain more than the Russia-Ukraine war.” [Wholesale Trade]

New orders

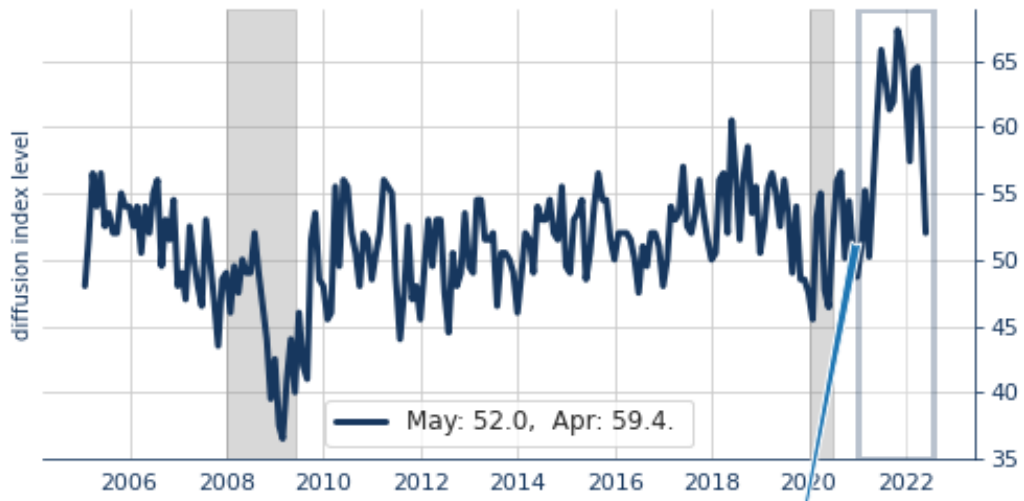


monthly levels

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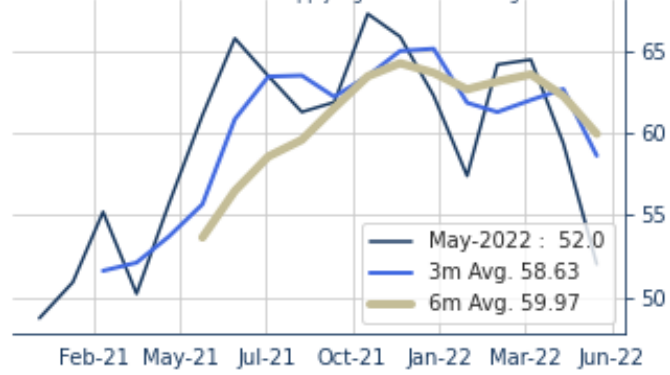


Back orders

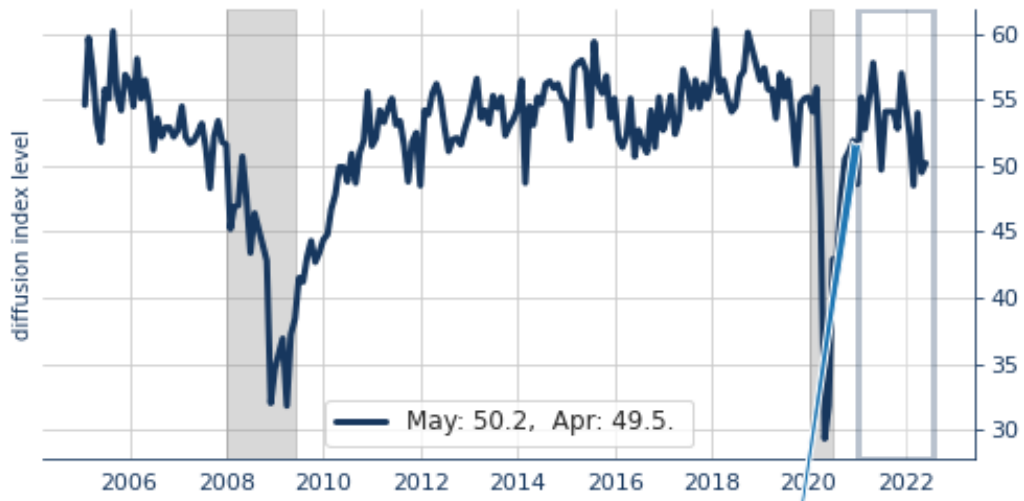


monthly levels

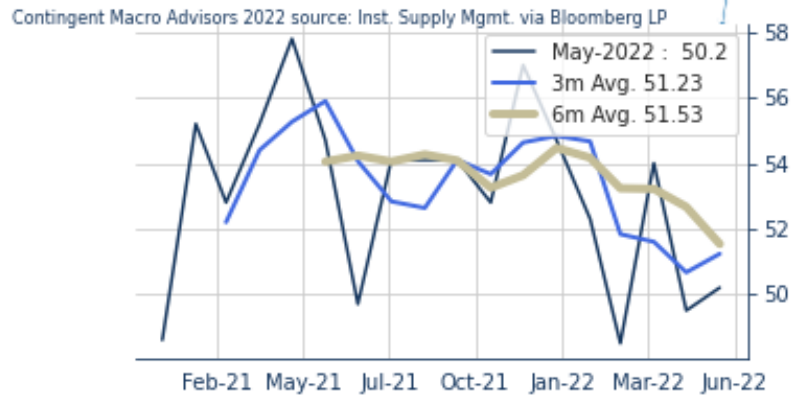
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Employment



monthly levels

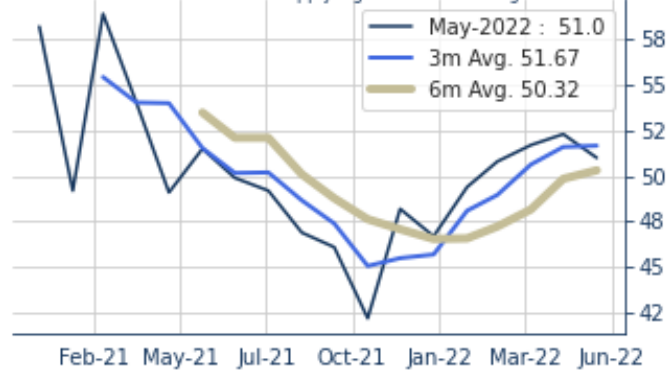


Inventory change



monthly levels

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

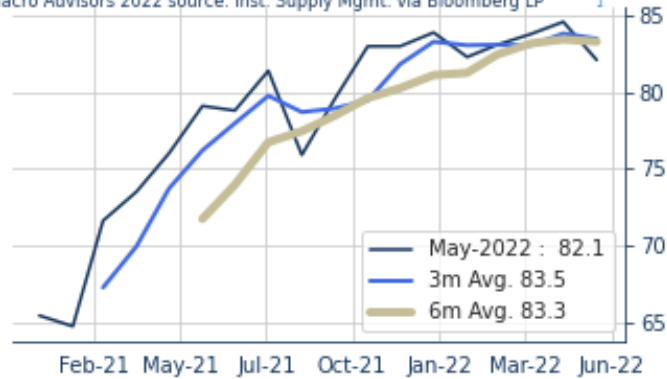


Prices paid



monthly levels

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



ISM Services Survey	May-22	Apr-22	Mar-22	3m. avg.	6m. avg.	12m. avg.	2021	5y
Services PMI	55.9	57.1	58.3	57.1	58.3	61.2	62.5	57.7
New orders	57.6	54.6	60.1	57.4	58.7	62.0	63.4	59.3
Back orders	52.0	59.4	64.5	58.6	60.0	62.1	60.1	54.8
Export orders	60.9	58.1	61.0	60.0	56.7	58.1	58.1	55.4
Inventory change	51.0	52.3	51.7	51.7	50.3	48.7	49.3	51.7
Inventory sentiment	44.5	46.7	40.2	43.8	45.4	42.6	43.4	54.2
Imports	52.8	52.9	45.0	50.2	51.5	51.6	52.2	51.3
Prices paid	82.1	84.6	83.8	83.5	83.3	81.8	77.5	65.0
Employment	50.2	49.5	54.0	51.2	51.5	52.6	54.4	53.2
Supplier Deliveries	61.3	65.1	63.4	63.3	64.3	68.0	67.5	58.6

Services Employ % Higher	26.1	24.6	24.9	25.2	23.9	24.3	23.9	22.5
Services Employ % Lower	22.7	23.1	15.7	20.5	21.3	19.2	15.3	16.2
Services Employ % Same	51.2	52.3	59.4	54.3	54.8	56.6	60.8	61.3

Source: Institute for Supply Management