

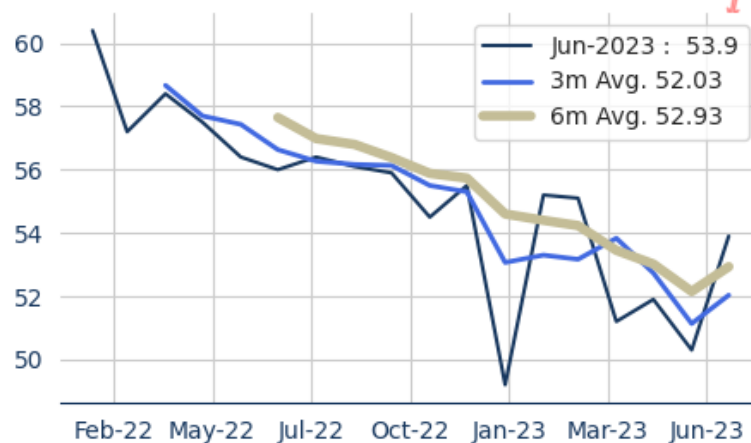
06.Jul.2023

## ISM Services: Solid Gains

**Bottom Line:** ISM's survey-based index of the services sector rose sharply more than expected in June as employment rose amid accelerating new orders. When available prior to the nonfarm payroll report, the employment component of this services survey is a useful predictor -- and this would suggest upside potential for tomorrow's June payroll consensus of 225k. While the prices paid index rose slightly and remained historically elevated, anecdotal reports suggested most sectors were finding inflation cooler and slightly less disruptive, if still a concern. **Overall, the details of this report were as solid as the headline suggested, with most service industry sectors reporting modest to moderate growth.**

## Services PMI

June: +53.9, consensus: +51.2



Contingent Macro Advisors 2023 source: Inst. Supply Mgmt. via Bloomberg LP

### WHAT RESPONDENTS ARE SAYING

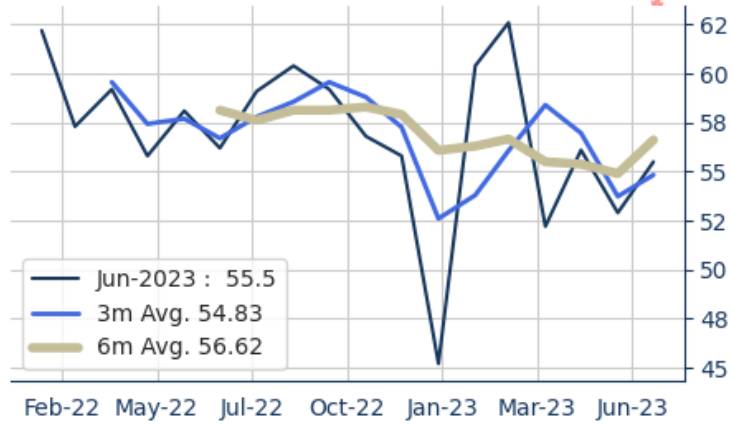
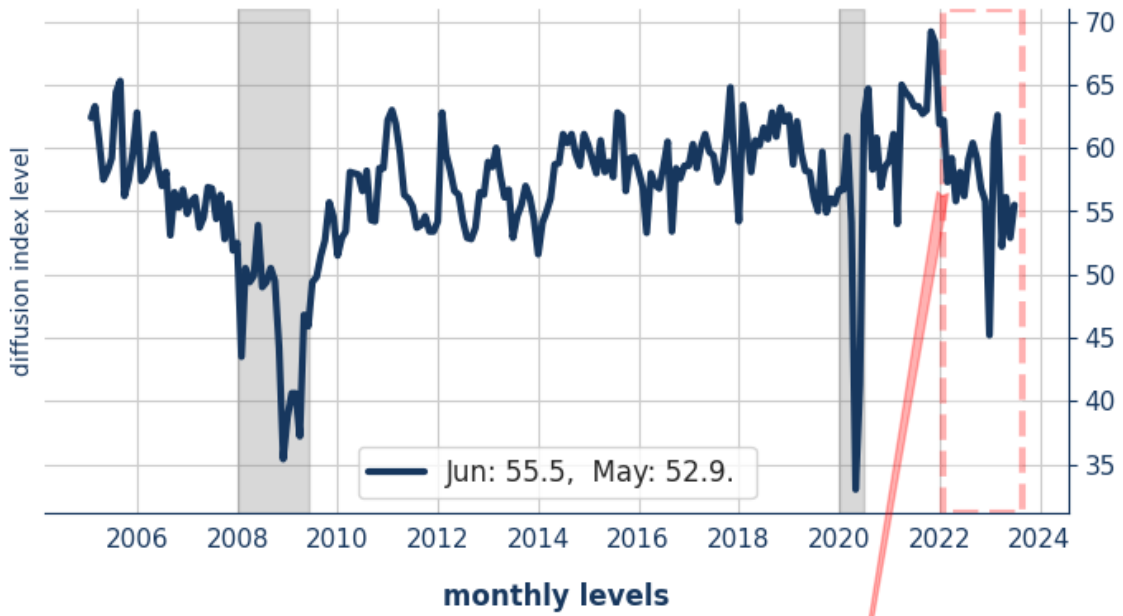
- “Stabilizing inflation rates are helping our overall situation. (High inflation has) done much to disrupt our pricing for services and rent over the past two years.” [Agriculture, Forestry, Fishing & Hunting]
- “We have been very busy in June, with great content coming out of the studios and the summer guest traffic.” [Arts, Entertainment & Recreation]
- “Monitoring China’s anti-espionage legislation going into effect on July 1 that may have an impact on normal supply chain business operations like market research, recruitment, trade secret leakage, employing former government officials and data sharing between Chinese and foreign companies in joint domestic or cross-border projects, including transfer of technology or

information sharing.” [Construction]

- “General business conditions are still active and steady. We’re ramping up for a busy third quarter with some expansion and preparations for early 2024 capital projects.” [Finance & Insurance]
- “Strong procedural volumes are driving above-budget revenue performance, but profitability continues to suffer due to higher expenses. Inflationary pressures, staffing challenges, limited capacity and insufficient payer rates continue to financially challenge the health system. Supply chains continue to moderately improve.” [Health Care & Social Assistance]
- “Supply chain lead times have stabilized and prices are holding or, in some cases, dropping slightly. It’s been a long time coming.” [Information]
- “Our company is maintaining an overall cautious approach, with inflation and the economy as main concerns. With oil prices stabilizing at around (US) \$70 a barrel, we hope they start refilling the Strategic Petroleum Reserve to replace the oil withdrawn via emergency-use release during the pandemic.” [Management of Companies & Support Services]
- “Increased demand for new transformation programs, with prices holding and an increase in clients’ capital budget allocations.” [Professional, Scientific & Technical Services]
- “Business remains higher than a year ago but is falling short of forecasts and projections.” [Real Estate, Rental & Leasing]
- “Overall business conditions are good, but growth is at a slow pace.” [Retail Trade]
- “Labor rates continue to be a challenge even with more people looking to return to work. Inflation is most likely a cause for this. Some incremental lower pricing on food.” [Transportation & Warehousing]
- “High operational expenses continue to put pressure on our business and limit hiring. Service levels from suppliers continue to improve. Trucking metrics and sales also improved.” [Wholesale Trade]

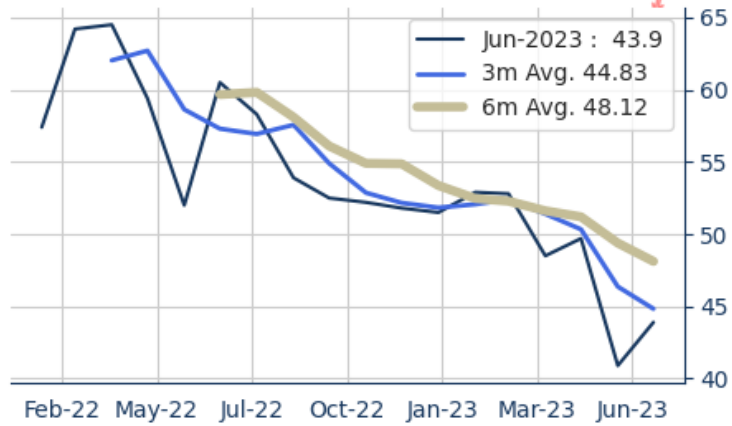
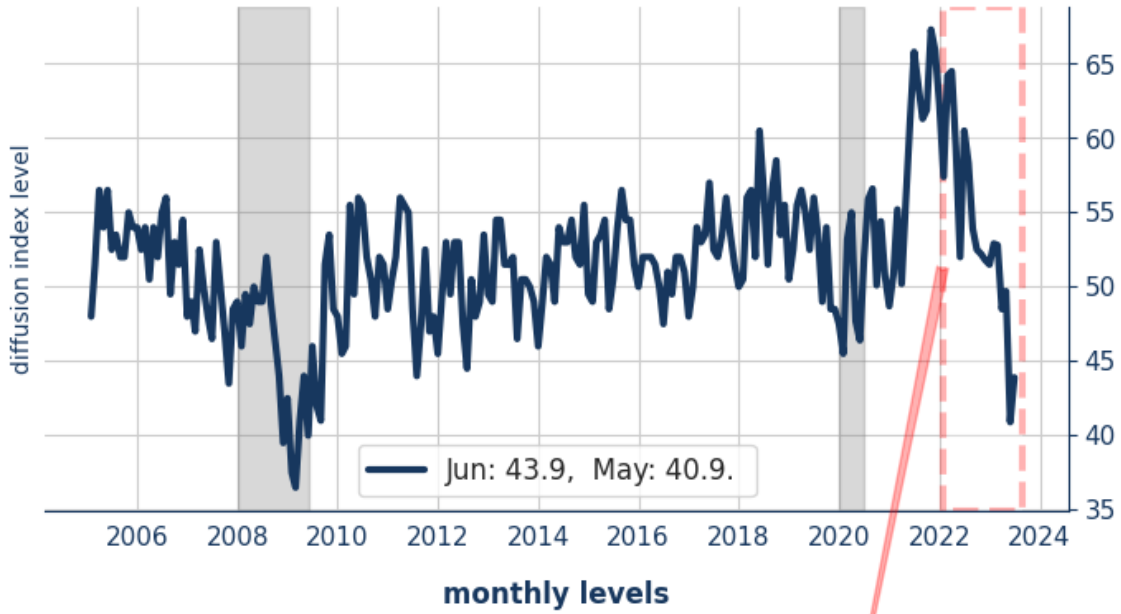
**SOURCE:** ISMWorld.org

# ISM Services - New orders Index



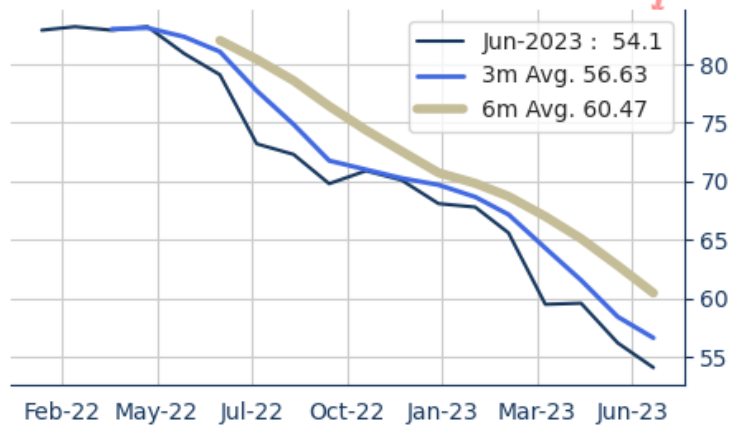
Contingent Macro Advisors 2023 source: Inst. Supply Mgmt. via Bloomberg LP

# ISM Services - Back orders Index



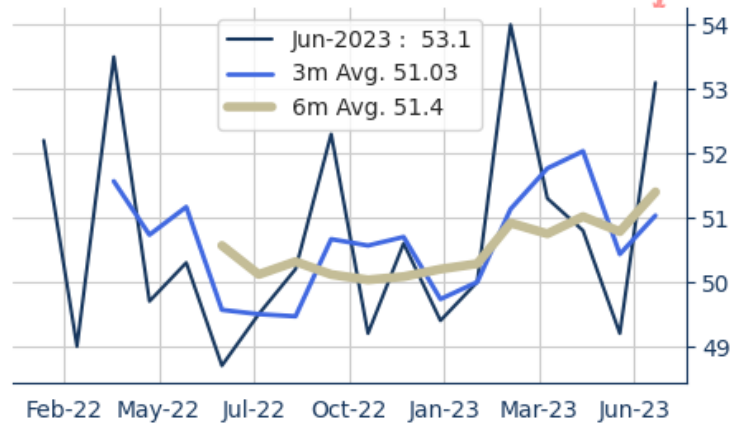
Contingent Macro Advisors 2023 source: Inst. Supply Mgmt. via Bloomberg LP

# ISM Services - Prices paid Index



Contingent Macro Advisors 2023 source: Inst. Supply Mgmt. via Bloomberg LP

# ISM Services - Employment Index



Contingent Macro Advisors 2023 source: Inst. Supply Mgmt. via Bloomberg LP

| ISM Services Survey | Jun-23      | May-23      | Apr-23      | 3m. avg.    | 6m. avg.    | 12m. avg.   | 2022        | 5y          |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Services PMI</b> | <b>53.9</b> | <b>50.3</b> | <b>51.9</b> | <b>52.0</b> | <b>52.9</b> | <b>53.8</b> | <b>56.1</b> | <b>56.9</b> |
| New orders          | 55.5        | 52.9        | 56.1        | 54.8        | 56.6        | 56.4        | 57.1        | 58.6        |
| Back orders         | 43.9        | 40.9        | 49.7        | 44.8        | 48.1        | 50.7        | 56.5        | 54.3        |
| Export orders       | 61.5        | 59.0        | 60.9        | 60.5        | 57.6        | 55.5        | 54.7        | 55.0        |
| Inventory change    | 55.9        | 58.3        | 47.2        | 53.8        | 52.3        | 49.1        | 48.2        | 50.6        |
| Inventory sentiment | 54.0        | 61.0        | 48.9        | 54.6        | 55.5        | 52.0        | 47.6        | 52.2        |
| Imports             | 54.6        | 50.0        | 51.3        | 52.0        | 50.8        | 51.3        | 50.8        | 51.0        |
| Prices paid         | 54.1        | 56.2        | 59.6        | 56.6        | 60.5        | 65.6        | 76.4        | 66.3        |
| Employment          | 53.1        | 49.2        | 50.8        | 51.0        | 51.4        | 50.8        | 50.4        | 52.1        |

|                          |      |      |      |      |      |      |      |      |
|--------------------------|------|------|------|------|------|------|------|------|
| Supplier Deliveries      | 47.6 | 47.7 | 48.6 | 48.0 | 47.9 | 51.0 | 59.0 | 57.9 |
| Services Employ % Higher | 22.2 | 19.4 | 20.4 | 20.7 | 21.0 | 21.3 | 22.0 | 21.6 |
| Services Employ % Lower  | 12.1 | 18.7 | 16.4 | 15.7 | 17.8 | 19.8 | 21.3 | 17.6 |
| Services Employ % Same   | 65.7 | 61.9 | 63.2 | 63.6 | 61.2 | 58.9 | 56.7 | 60.8 |

Source: Institute for Supply Management