

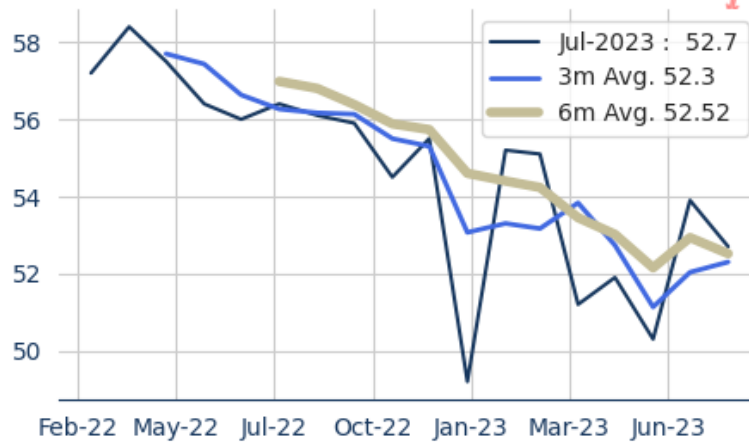
03.Aug.2023

ISM Services: Cooler But Continued Gains

Bottom Line: ISM's survey-based index of the services sector fell slightly more than expected in July but remained at levels suggested modest to moderate growth. New order growth was moderate, and backorders rose for the first month in six as inventories fell, suggesting further growth to come. When available prior to the nonfarm payroll report, the ISM employment index is a useful predictor of the national data. At 50.7, the employment index suggested slight to modest job growth in July, consistent with the 200k consensus expectation and hinting that the incredibly strong ADP number yesterday may prove to be the outlier. Overall, the services sectors of the economy continue to grow at a modest to moderate pace, and that looks likely to continue for at least another quarter.

Services PMI

July: +52.7, consensus: +53.1



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

WHAT RESPONDENTS ARE SAYING

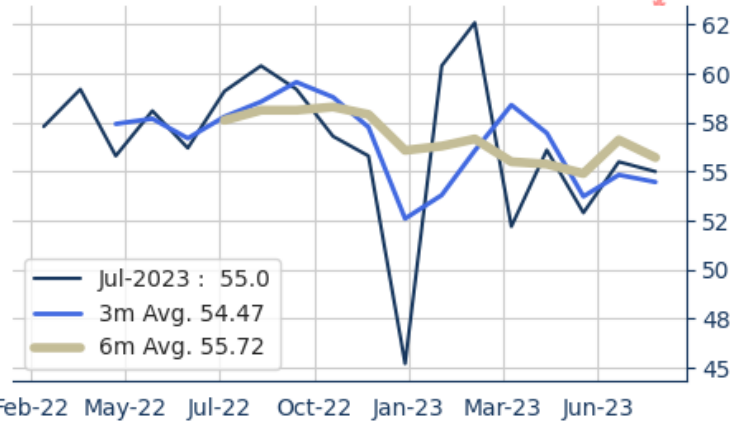
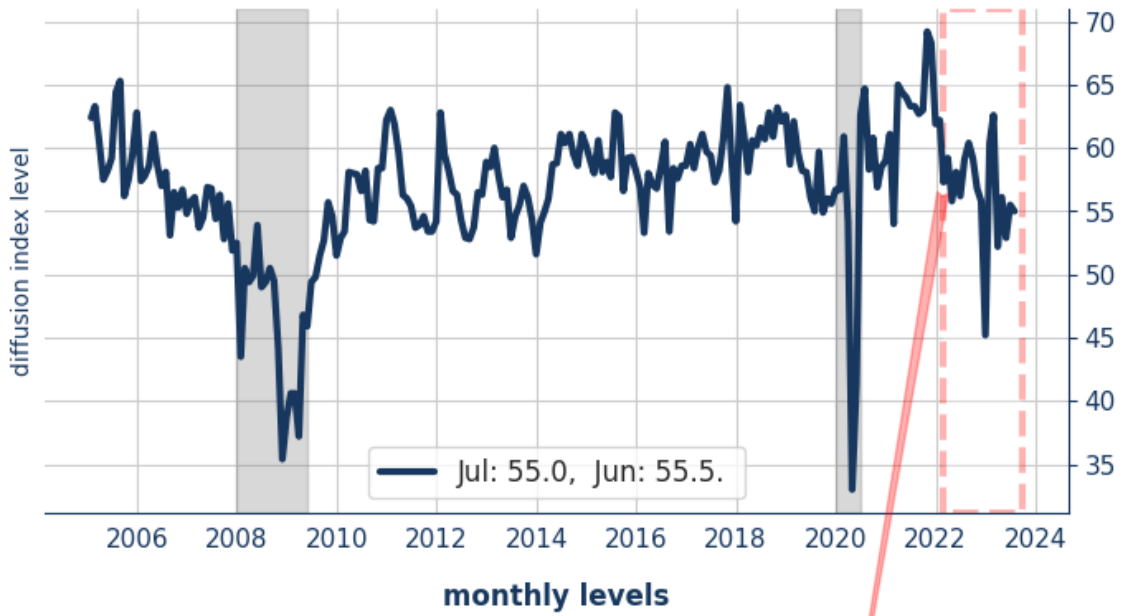
- “Pricing in food sectors has come down incrementally, but in very small, almost minute percentages. IT labor pricing is still inflated.” [Accommodation & Food Services]
- “Sales have been steady.” [Construction]
- “Continuing to see improved case volume in 2023, although July and summer months have flattened a bit as usual. Still scratching and clawing to find savings with economic inflationary pressures.” [Health Care & Social Assistance]
- “Business remains steady.” [Information]
- “We are maintaining a cautious approach, although inflation seems to be

easing. The overall business environment has stabilized, but tight labor markets are creating ongoing issues.” [Management of Companies & Support Services]

- “Hiring of employees, temporary workers and consultants continues to be slow as companies remain cautious about increasing fixed and variable expenses during uncertain economic times.” [Professional, Scientific & Technical Services]
- “Although capacity in transportation services has improved, there are still some industries with lagging lead times for their products.” [Public Administration]
- “Overall economy is good. Supply chain market is stable. Commodity prices are increasing but at a slower rate. Lead times and deliveries are ideal, and inventories are lower than last quarter. The unemployment rate is at its lowest point in 70 years. Wages continue to grow.” [Retail Trade]
- “We are still having issues with getting certain materials based on chips, though not nearly as imposing as they were a year ago. Lead times from Europe and in general seem to be improving. There are challenges with suppliers who made changes during the pandemic to spread workloads — they are not as responsive, and this affects lead times.” [Transportation & Warehousing]
- “Steady, slower growth.” [Finance & Insurance]
- “High operational expenses continue to put pressure on the business and limit hiring. Supplier costs (are) not coming down as much as expected. Service levels from suppliers continue to improve. Trucking metrics improved.” [Wholesale Trade]

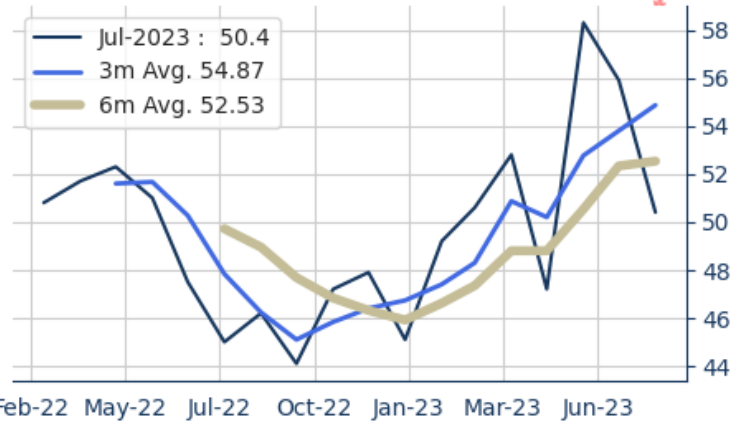
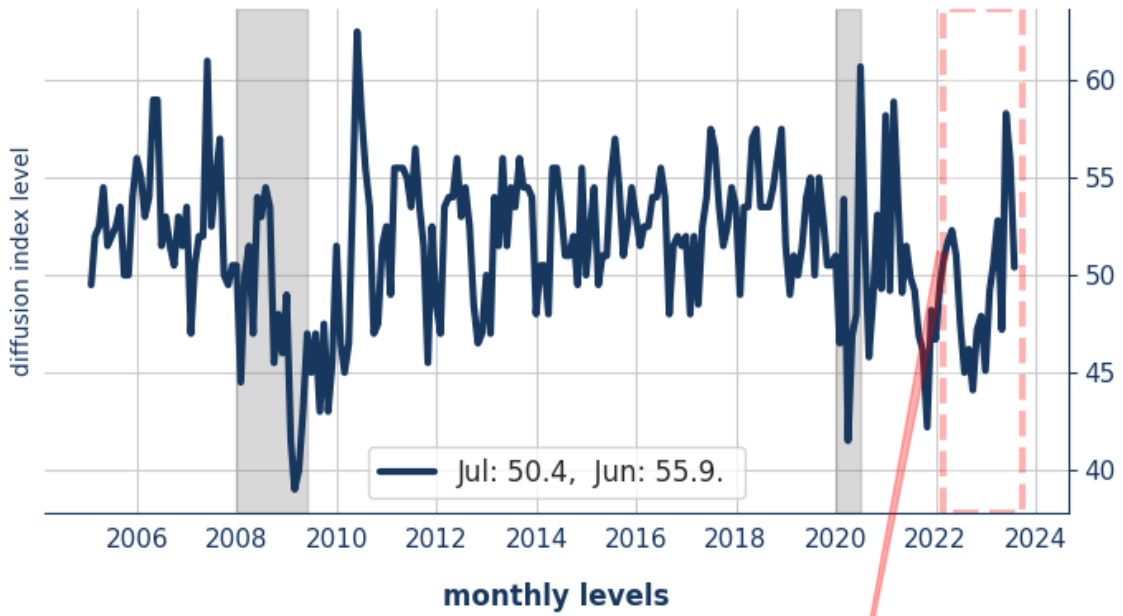
SOURCE: ISMWorld.org

ISM Services - New orders Index



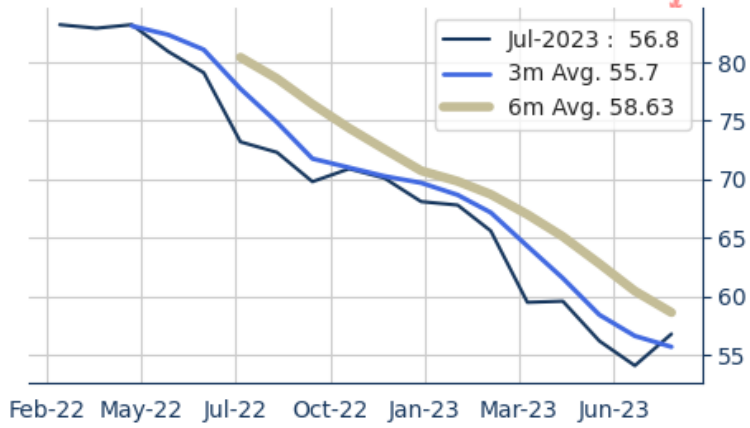
Contingent Macro Advisors 2023 source: Inst. Supply Mgmt. via Bloomberg LP

ISM Services - Inventory change Index



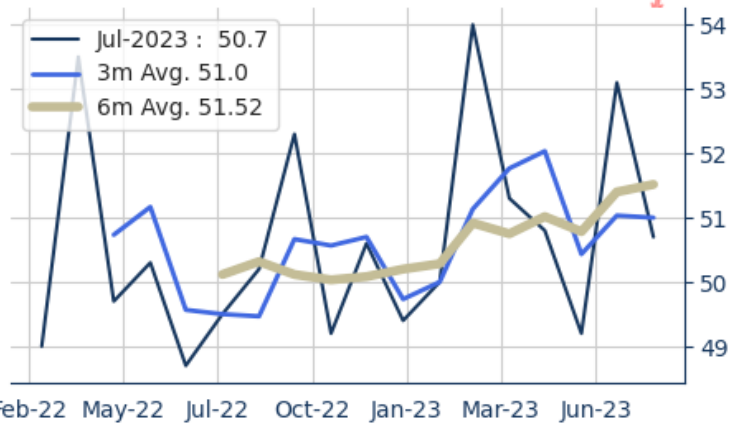
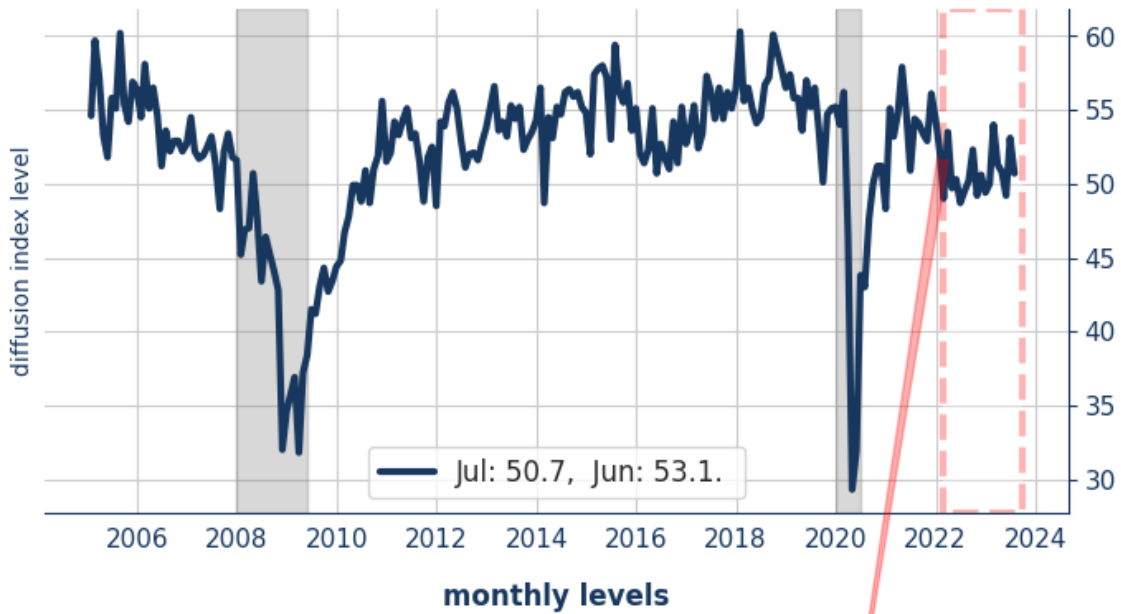
Contingent Macro Advisors 2023 source: Inst. Supply Mgmt. via Bloomberg LP

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	Jul-23	Jun-23	May-23	3m. avg.	6m. avg.	12m. avg.	2022	5y
Services PMI	52.7	53.9	50.3	52.3	52.5	53.5	56.1	56.8
New orders	55.0	55.5	52.9	54.5	55.7	56.0	57.1	58.5
Back orders	52.1	43.9	40.9	45.6	48.0	50.2	56.5	54.3
Export orders	61.1	61.5	59.0	60.5	58.0	55.6	54.7	55.0
Inventory change	50.4	55.9	58.3	54.9	52.5	49.6	48.2	50.5
Inventory sentiment	56.6	54.0	61.0	57.2	55.6	52.5	47.6	52.2
Imports	52.3	54.6	50.0	52.3	50.7	51.6	50.8	51.0
Prices paid	56.8	54.1	56.2	55.7	58.6	64.2	76.4	66.2
Employment	50.7	53.1	49.2	51.0	51.5	50.9	50.4	52.0

Supplier Deliveries	48.1	47.6	47.7	47.8	47.6	50.2	59.0	57.8
Services Employ % Higher	nan	22.2	19.4	20.8	21.1	21.1	22.0	21.5
Services Employ % Lower	nan	12.1	18.7	15.4	16.4	19.4	21.3	17.7
Services Employ % Same	nan	65.7	61.9	63.8	62.5	59.5	56.7	60.8

Source: Institute for Supply Management