

## **Datanote: US ISM Services Survey, August**

### **In one line: Stable but anemic.**

- The headline index of the ISM services survey ticked up trivially in August, to 51.5 from 51.4, essentially in line with the consensus, also 51.4.

The lack of a further fall in the index should allay fears of an imminent recession, but this is still a relatively weak report. The business activity

index dipped last month, to 53.3 from 54.5, hitting a level consistent with growth in services activity grinding to a halt. That said, the equivalent index in the S&P Global services PMI has been much more resilient lately, and neither series is an especially reliable guide to the hard activity data, as our first chart shows.

The employment index slipped back, to 50.2 from 51.1. But this measure is a poor indicator of private services payrolls, which have continued to grow

quite strongly recently, despite the employment index being some way below its 2010-to-19 average, 54.0.

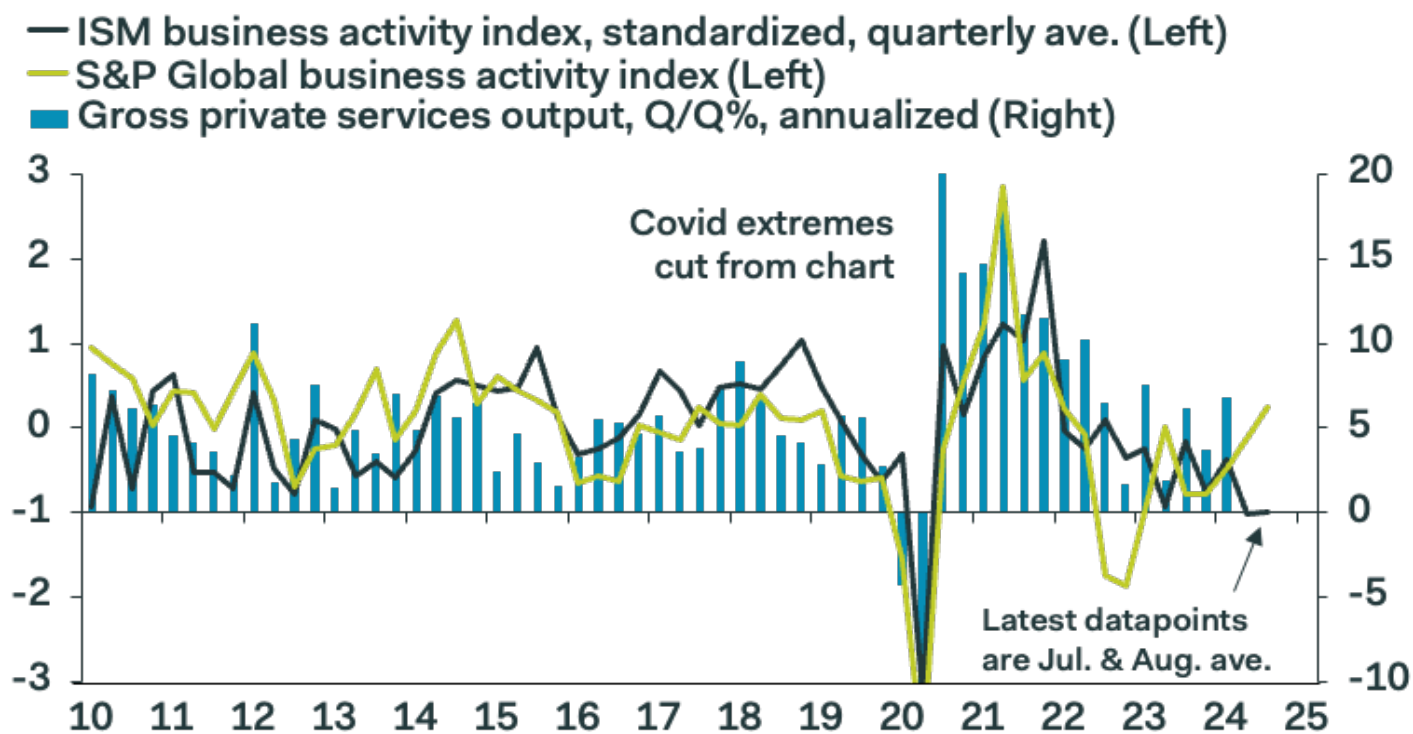
The new orders index, meanwhile, rose slightly, to 53.0 from 52.4, close to its average over the past year.

A two-point increase in the supplier delivery times index was the main contributor to the overall uptick in the headline last month, but the series remained at a low level, 49.6. We doubt that the increase in either the new

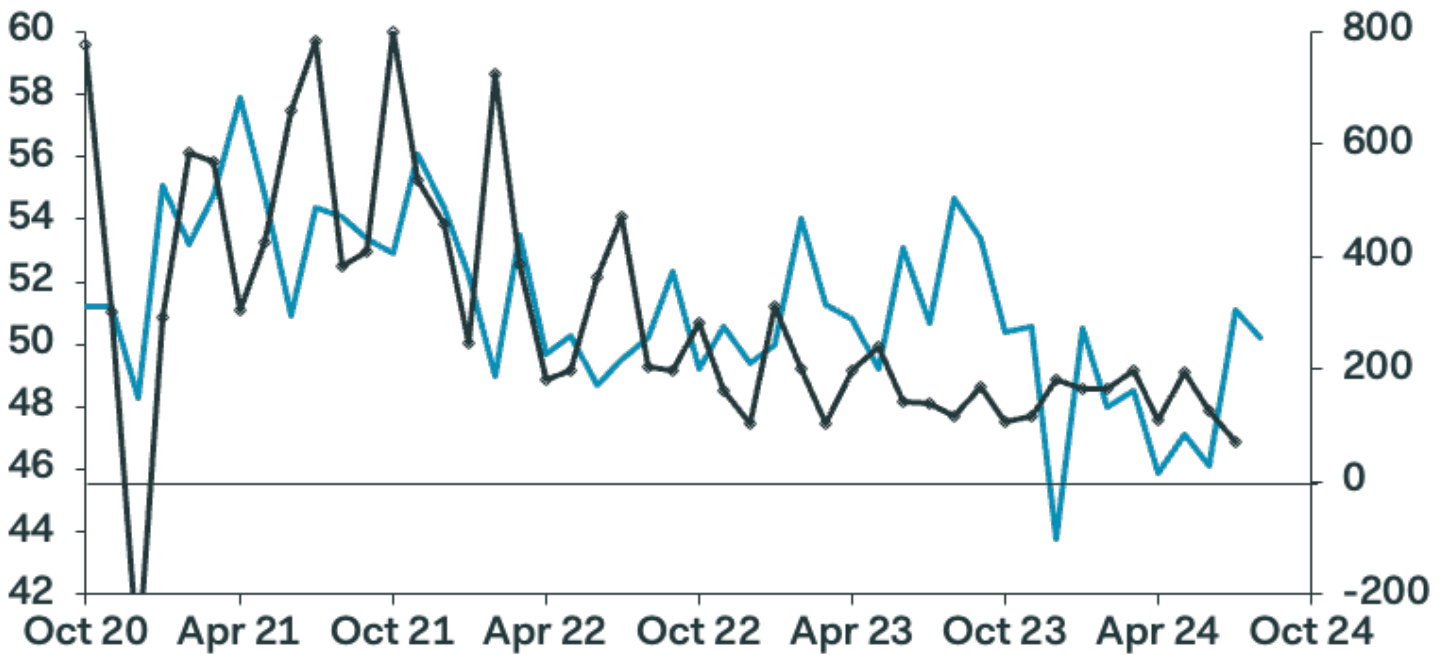
orders or delivery times indexes signals an upturn in activity ahead, given that the order backlogs index plunged in August, to 43.7 from 50.6. We expect growth in services activity to be relatively weak over the next quarters, as a softer labor market and greater strain on household balance sheets prompt slower growth in consumers' spending.

Elsewhere, the small uptick in the survey's prices index, to 57.3 from 57.0, is trivial, and the series

continues to point to further declines in underlying services inflation over the next few months, to around 2%. The input and output price indexes of the services PMI tell a similar story.



— ISM services employment index (Left)  
 — Private services payrolls, monthly change, K (Right)



— ISM services prices index, advanced five months (Left)  
 — Market-based PCE services deflator ex-housing & utilities, y/y% (Right)

