

## June ISM Non-Mfg.: Substantial Recovery but Pandemic Risks Remain

Rohan Kumar\*

The **ISM Non-Manufacturing PMI rallied to 57.1 in June (DE 48, Consensus 50.5)** from 45.4 in May. The June report suggests growth in the sector after sizable contractions in April and May. The rise in the headline figure was the largest recorded monthly gain, but it's important to recall that the collapse in April was a record slide. Only three industries reported contractions in June, while 14 experienced growth.

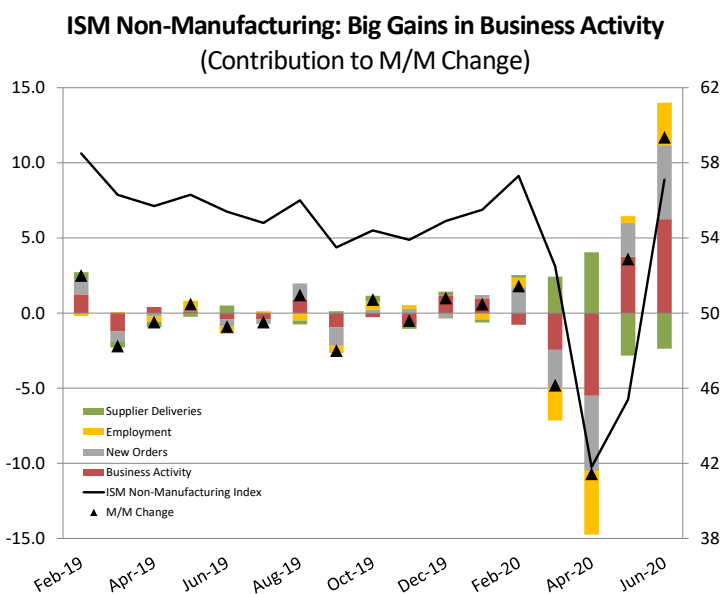
### Trending in the Right Direction

The Business Activity Index jumped from 41 in May to 66 in June. The New Orders Index also moved into the expansionary region, rising from 41.9 to 61.6. Employment contracted for the fourth consecutive month but not as quickly as before, as the related index increased from 31.8 to 43.1.

Delivery times continue to lengthen but the slowdown is occurring at a less severe rate, evident by the Supplier Deliveries Index falling from 67 to 57.5. The prior slowdown was due to supply issues amid the Pandemic while the recent slowdown is partly due to increased demand. Prices rose for the third straight month, with the related index moving from 55.6 to 62.4. Inventories rose after falling for three months, with the index moving from 48 to 60.7. Some respondents mentioned they are keeping a "higher safety stock."

### Perspective

The headline figure improved considerably more than DE and Consensus anticipated and indicates a return to growth in the Non-Manufacturing sector. Respondents of the ISM Survey noted a "surprising recovery to sales volume" and mentioned that they are generally "at the end of the employee furloughs and layoffs." Still, they voiced concerns over continued risks regarding the Pandemic. Such risks are real as ever, as cases started to rise quickly again in the latter half of June. The recovery in the Non-Manufacturing sector is progressing forward at a notable pace, but the Pandemic could make consistent gains hard to achieve.



Sources: ISM, Bloomberg, and Decision Economics, Inc. (DE)