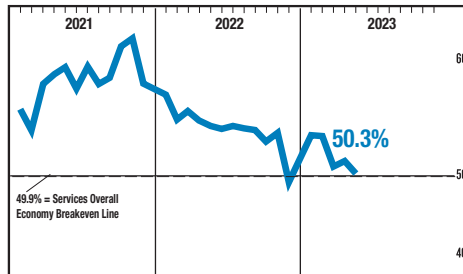


SERVICES PMI® at 50.3%

In May, the Services PMI® registered 50.3 percent, a 1.6-percentage point decrease compared to the April reading of 51.9 percent. A reading above 50 percent indicates the services sector economy is generally expanding; below 50 percent indicates it is generally contracting. The past relationship between the Services PMI® and the overall economy indicates that the Services PMI® for May (50.3 percent) corresponds to a 0.2-percent increase in real gross domestic product (GDP) on an annualized basis.



Economic activity in the services sector expanded in May for the fifth consecutive month as the Services PMI® registered 50.3 percent, say the nation’s purchasing and supply executives in the latest Services ISM® Report On Business®.

The sector has grown in 35 of the last 36 months, with the lone contraction in December of last year. The Business Activity Index registered 51.5 percent, a 0.5-percentage point decrease compared to the reading of 52 percent in April. The New Orders Index expanded in May for the fifth consecutive month after contracting in December for the first time since May 2020; the figure of 52.9 percent is 3.2 percentage points lower than the April reading of 56.1 percent. The Prices Index was down 3.4 percentage points in May, to 56.2 percent. The Inventories Index expanded in May after a month of contraction and two previous months of growth, preceded by eight straight months of contraction; the reading of 58.3 percent is up 11.1 percentage points from April’s figure of 47.2 percent.

The 11 services industries reporting growth in May — listed in order — are: Accommodation & Food Services; Management of Companies & Support Services; Professional, Scientific & Technical Services; Utilities; Retail Trade; Arts, Entertainment & Recreation; Construction; Other Services*[†]; Transportation & Warehousing; Public Administration; and Educational Services. ISM

[†]**Other Services** (services such as Equipment & Machinery Repairing; Promoting or Administering Religious Activities; Grantmaking; Advocacy; and Providing Dry-Cleaning & Laundry Services, Personal Care Services, Death Care Services, Pet Care Services, Photofinishing Services, Temporary Parking Services and Dating Services).

Services at a Glance

INDEX	May Index	Apr Index	% Point Change	Direction	Rate of Change	Trend* (months)
Services PMI®	50.3	51.9	-1.6	Growing	Slower	5
Business Activity	51.5	52.0	-0.5	Growing	Slower	36
New Orders	52.9	56.1	-3.2	Growing	Slower	5
Employment	49.2	50.8	-1.6	Contracting	From Growing	1
Supplier Deliveries	47.7	48.6	-0.9	Faster	Faster	4
Inventories	58.3	47.2	+11.1	Growing	From Contracting	1
Prices	56.2	59.6	-3.4	Increasing	Slower	72
Backlog of Orders	40.9	49.7	-8.8	Contracting	Faster	3
New Export Orders	59.0	60.9	-1.9	Growing	Slower	2
Imports	50.0	51.3	-1.3	Unchanged	From Growing	1
Inventory Sentiment	61.0	48.9	+12.1	Too High	From Too Low	1
Overall Economy				Growing	Slower	5
Services Sector				Growing	Slower	5

*Number of months moving in current direction. Services ISM® Report On Business® data has been seasonally adjusted for the Business Activity, New Orders, Employment and Prices indexes.

Commodities Reported

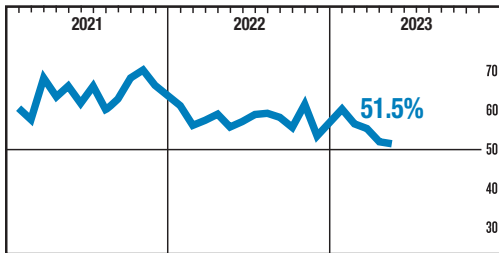
Commodities Up in Price: Automobiles; Beef; Construction Contractors; Construction Materials; Electrical Components (28); Fuel* (3); Gasoline* (4); Labor (30); Labor — Skilled (4); Transformers; and Wood Pallets.

Commodities Down in Price: Bacon; Fuel*; Gasoline*; International Freight; and Steel Products (2).

Commodities in Short Supply: Appliances (6); Construction Contractors; Construction Materials (2); Electrical Components (2); Labor (7); Labor — Construction (4); Labor — Skilled; Tourniquets (4); Transformers (9); and Vehicles (11).

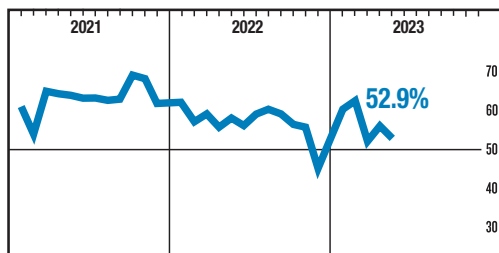
Note: To view the full report, visit the ISM® Report On Business® website at ismrob.org

The number of consecutive months the commodity has been listed is indicated after each item. *Indicates both up and down in price.



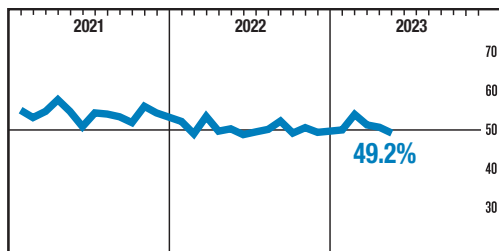
Business Activity

ISM's Business Activity Index registered 51.5 percent. The 13 industries reporting an increase in business activity for the month of May — listed in order — are: Accommodation & Food Services; Management of Companies & Support Services; Retail Trade; Construction; Arts, Entertainment & Recreation; Utilities; Other Services^{**}; Transportation & Warehousing; Public Administration; Professional, Scientific & Technical Services; Educational Services; Finance & Insurance; and Health Care & Social Assistance.



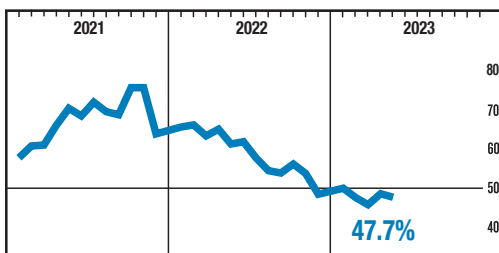
New Orders

ISM's New Orders Index registered 52.9 percent. The 11 industries reporting an increase in new orders for the month of May — listed in order — are: Accommodation & Food Services; Management of Companies & Support Services; Other Services^{**}; Educational Services; Professional, Scientific & Technical Services; Utilities; Retail Trade; Construction; Transportation & Warehousing; Public Administration; and Finance & Insurance.



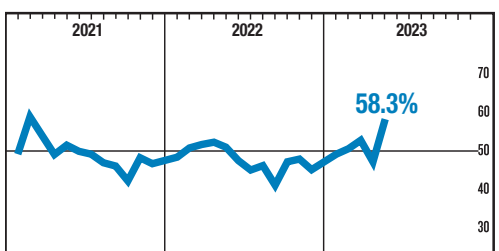
Employment

Employment activity in the services sector contracted in May after three consecutive months of growth, with the index registering 49.2 percent. The nine industries reporting an increase in employment in May — listed in order — are: Accommodation & Food Services; Arts, Entertainment & Recreation; Construction; Transportation & Warehousing; Utilities; Professional, Scientific & Technical Services; Management of Companies & Support Services; Public Administration; and Other Services^{**}.



Supplier Deliveries

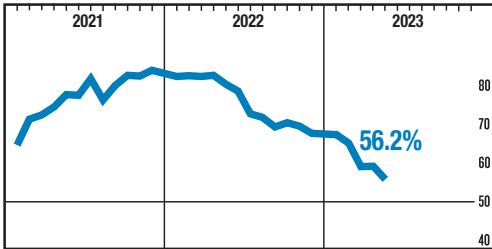
The Supplier Deliveries Index registered 47.7 percent. The four industries reporting slower deliveries in May are: Retail Trade; Professional, Scientific & Technical Services; Educational Services; and Accommodation & Food Services.



Inventories

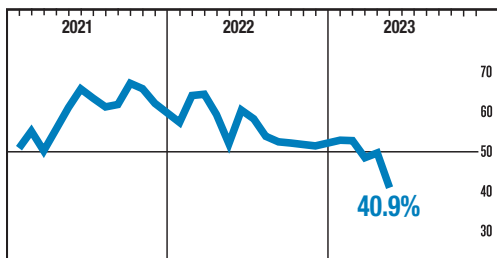
The Inventories Index registered 58.3 percent. The seven industries reporting an increase in inventories in May — listed in order — are: Real Estate, Rental & Leasing; Construction; Arts, Entertainment & Recreation; Public Administration; Finance & Insurance; Utilities; and Professional, Scientific & Technical Services.

^{**}Other Services (services such as Equipment & Machinery Repairing; Promoting or Administering Religious Activities; Grantmaking; Advocacy; and Providing Dry-Cleaning & Laundry Services, Personal Care Services, Death Care Services, Pet Care Services, Photofinishing Services, Temporary Parking Services and Dating Services).



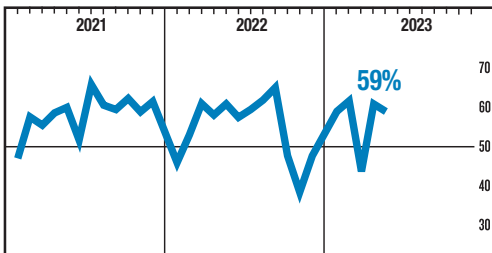
Prices

Prices paid by services organizations for materials and services increased in May for the 72nd consecutive month, with the index registering 56.2 percent. Twelve services industries reported an increase in prices paid during the month of May, in the following order: Public Administration; Information; Health Care & Social Assistance; Other Services[†]; Educational Services; Arts, Entertainment & Recreation; Finance & Insurance; Wholesale Trade; Retail Trade; Construction; Utilities; and Professional, Scientific & Technical Services.



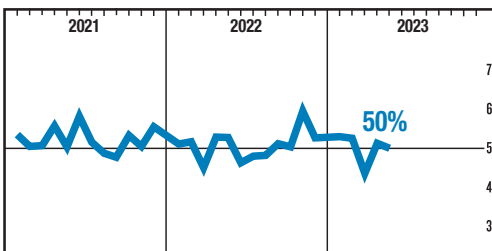
Backlog of Orders

The ISM Services Backlog of Orders Index registered 40.9 percent. The five industries reporting an increase in order backlogs in May are: Mining; Public Administration; Professional, Scientific & Technical Services; Utilities; and Retail Trade.



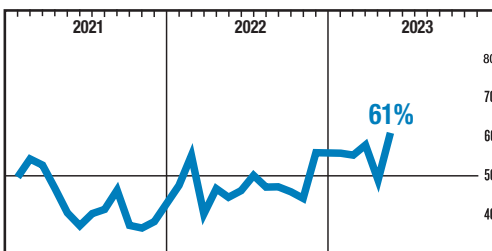
New Export Orders

The New Export Orders Index registered 59 percent. The seven industries reporting an increase in new export orders in May — listed in order — are: Management of Companies & Support Services; Real Estate, Rental & Leasing; Accommodation & Food Services; Retail Trade; Information; Professional, Scientific & Technical Services; and Utilities.



Imports

The Imports Index registered 50 percent — indicating unchanged status — in May, down 1.3 percentage points from April's reading of 51.3 percent. The three industries reporting an increase in imports for the month of May are: Retail Trade; Construction; and Utilities.



Inventory Sentiment

The ISM Services Inventory Sentiment Index registered 61 percent. The 10 industries reporting sentiment that their inventories were too high in May — listed in order — are: Real Estate, Rental & Leasing; Wholesale Trade; Arts, Entertainment & Recreation; Utilities; Mining; Information; Retail Trade; Health Care & Social Assistance; Construction; and Management of Companies & Support Services.

[†]Other Services (services such as Equipment & Machinery Repairing; Promoting or Administering Religious Activities; Grantmaking; Advocacy; and Providing Dry-Cleaning & Laundry Services, Personal Care Services, Death Care Services, Pet Care Services, Photofinishing Services, Temporary Parking Services and Dating Services).

About This Report

DO NOT CONFUSE THIS NATIONAL REPORT with the various regional purchasing reports released across the country. The national report's information reflects the entire U.S., while the regional reports contain primarily regional data from their local vicinities. Also, the information in the regional reports is not used in calculating the results of the national report.

The data presented herein is obtained from a survey of manufacturing and services supply executives based on information they have collected within their respective organizations. ISM® makes no representation, other than that stated within this release, regarding the individual company data collection procedures. The data should be compared to all other economic data sources when used in decision-making.

Data and Method of Presentation

The **Manufacturing ISM® Report On Business®** is based on data compiled from purchasing and supply executives nationwide. The composition of the Manufacturing Business Survey Committee is stratified according to the North American Industry Classification System (NAICS) and each of the following NAICS-based industry's contribution to gross domestic product (GDP): Food, Beverage & Tobacco Products; Textile Mills; Apparel, Leather & Allied Products; Wood Products; Paper Products; Printing & Related Support Activities; Petroleum & Coal Products; Chemical Products; Plastics & Rubber Products; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Furniture & Related Products; and Miscellaneous Manufacturing (products such as medical equipment and supplies, jewelry, sporting goods, toys and office supplies). The data are weighted based on each industry's contribution to GDP. According to the BEA estimates for 2021 GDP (released December 22, 2022), the six largest manufacturing subsectors are: Computer & Electronic Products; Chemical Products; Transportation Equipment; Food, Beverage & Tobacco Products; Machinery; and Petroleum & Coal Products.

The **Services ISM® Report On Business®** (formerly the Non-Manufacturing ISM® Report On Business®) is based on data compiled from purchasing and supply executives nationwide. Membership of the Services Business Survey Committee (formerly Non-Manufacturing Business Survey Committee) is diversified by NAICS, based on each industry's contribution to gross domestic product (GDP). The Services Business Survey Committee responses are divided into the following NAICS code categories: Agriculture, Forestry, Fishing & Hunting; Mining; Utilities; Construction; Wholesale Trade; Retail Trade; Transportation & Warehousing; Information; Finance & Insurance; Real Estate, Rental & Leasing; Professional, Scientific & Technical Services; Management of Companies & Support Services; Educational Services; Health Care & Social Assistance; Arts, Entertainment & Recreation; Accommodation & Food Services; Public Administration; and Other Services (services such as Equipment & Machinery Repairing; Promoting or Administering Religious Activities; Grantmaking; Advocacy; and Providing Dry-Cleaning & Laundry Services, Personal Care Services, Death Care Services, Pet Care Services, Photofinishing Services, Temporary Parking Services, and Dating Services). The data are weighted based on each industry's contribution to GDP. According to the BEA estimates for 2021 GDP (released December 22, 2022), the six largest services sectors are: Real Estate, Rental & Leasing; Government; Professional, Scientific, & Technical Services; Health Care & Social Assistance; Information; and Finance & Insurance.

Survey responses reflect the change, if any, in the current month compared to the previous month. Responses are raw data and are never changed. The diffusion index includes the percent of positive responses plus one-half of those responding the same (considered positive).

The resulting single index number for those meeting the criteria for seasonal adjustments (for Manufacturing: New Orders, Production, Employment, and Inventories) (for Services: Business Activity, New Orders, Employment and Prices) is then seasonally adjusted to allow for the effects of repetitive intra-year variations resulting primarily from normal differences in weather conditions, various institutional arrangements, and differences attributable to non-moveable holidays. The remaining indexes have not indicated significant seasonality. All seasonal adjustment factors are subject annually to relatively minor changes when conditions warrant them.

The Manufacturing PMI® is a composite index based on the diffusion indexes of five of the indexes with equal weights: New Orders (seasonally adjusted), Production (seasonally adjusted), Employment (seasonally adjusted), Supplier Deliveries, and Inventories (seasonally adjusted). The Services PMI® is a composite index based on the diffusion indexes for four of the indicators with equal weights: Business Activity (seasonally adjusted), New Orders (seasonally adjusted), Employment (seasonally adjusted) and Supplier Deliveries.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change and the scope of change.

A Manufacturing PMI® reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally declining. A Manufacturing PMI® above 48.7 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 48.7 percent, it is generally declining.

The distance from 50 percent or 48.7 percent is indicative of the extent of the expansion or decline. A Services PMI® reading above 50 percent indicates that the services economy is generally expanding; below 50 percent indicates that it is generally declining. A Services PMI® above 49.9 percent, over time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 49.9 percent, it is generally declining. The distance from 50 percent or 49.9 percent is indicative of the strength of the expansion or decline. With some of the indicators within the Manufacturing ISM® Report On Business®, ISM® has indicated the departure point between expansion and decline of comparable government series, as determined by regression analysis.

The *Report On Business®* surveys are sent out to Manufacturing and Services Business Survey Committee respondents the first part of each month. Respondents are asked to report on information for the current month for U.S. operations only. ISM® receives survey responses throughout most of any given month, with the majority of respondents generally waiting until late in the month to submit responses to give the most accurate picture of current business activity.

The industries reporting growth, as indicated in the monthly reports, are listed in the order of most growth to least growth. For the industries reporting contraction or decreases, those are listed in the order of the highest level of contraction/decrease to the least level of contraction/decrease.

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