



Economics Group

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Service Sector Expanding, But Re-Opening Bump Is Fading

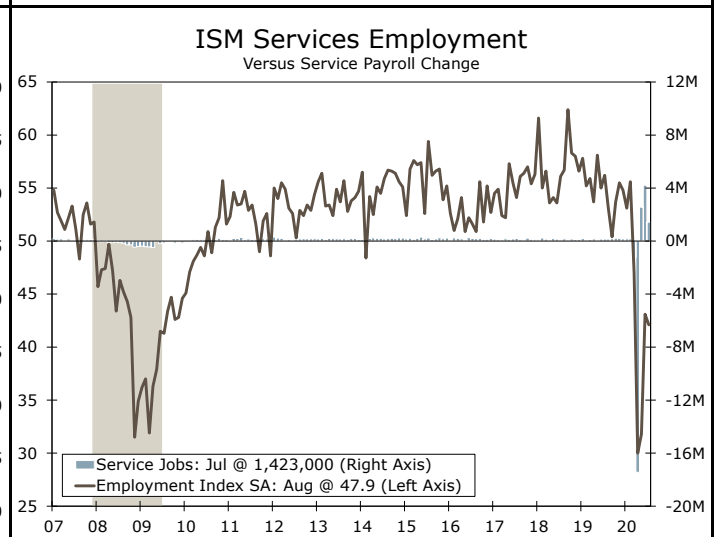
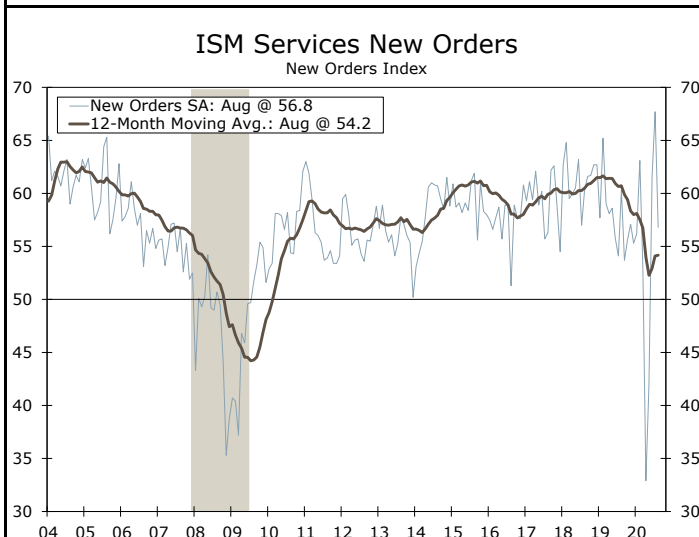
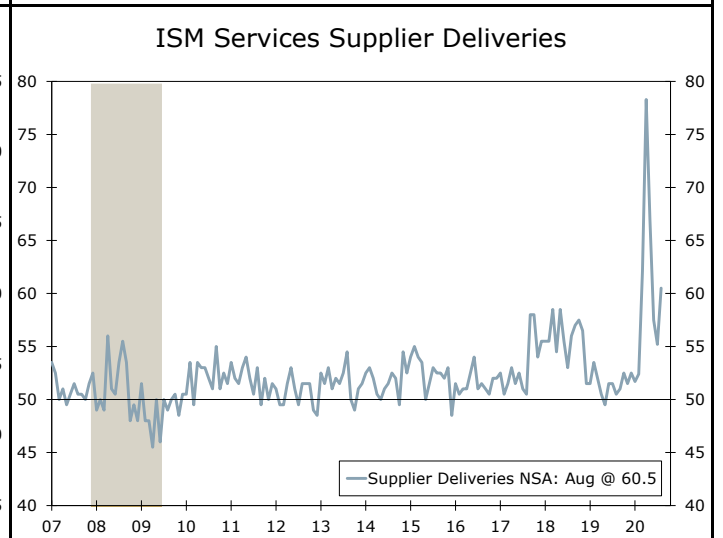
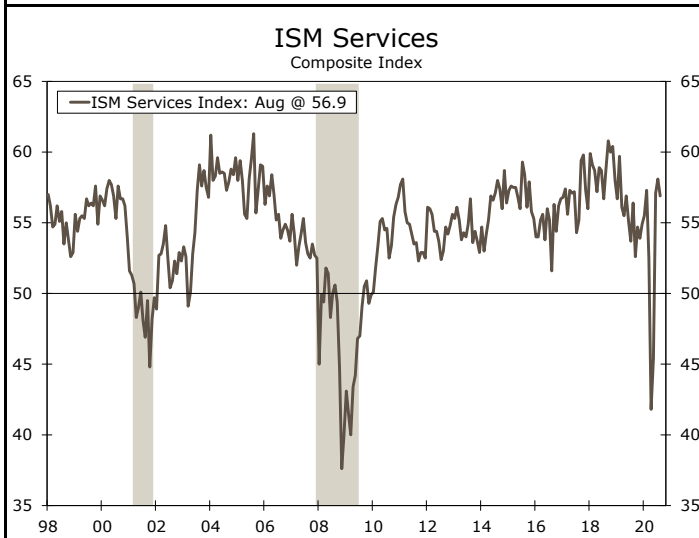
Although the headline print of 56.9 for the Service ISM index only barely missed consensus in August, underlying details suggest the initial boost from the re-opening of the service economy is starting to fade.

Re-Opening Boost Fading, Sharp Slowing in Orders

- The headline services ISM came in at 56.9, a hair shy of the 57.0 consensus estimate and down slightly from the 58.1 reading in July. The slip in business activity from 67.2 to 62.4 was slightly more pronounced. In short, the initial rebound boost is fading.
- A more pessimistic take would be that some offsetting moves in the subcomponents suggest slightly more going on than just a mere slowing. New orders dropped more than 10 points to 56.8.

Wait Times Up Again

- The sharp slowing in orders was partly offset by longer wait times for supplier deliveries. Ordinarily slow deliveries indicate a humming economy, though more recently it has been reflective of virus-induced supply chain disruption.
- The employment component is looking better at 47.9 versus 42.1 last month, but this would still indicate merely a slowing in the pace of layoff rather than outright hiring in the service sector.



Source: U.S. Department of Labor, Institute for Supply Management and Wells Fargo Securities

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