



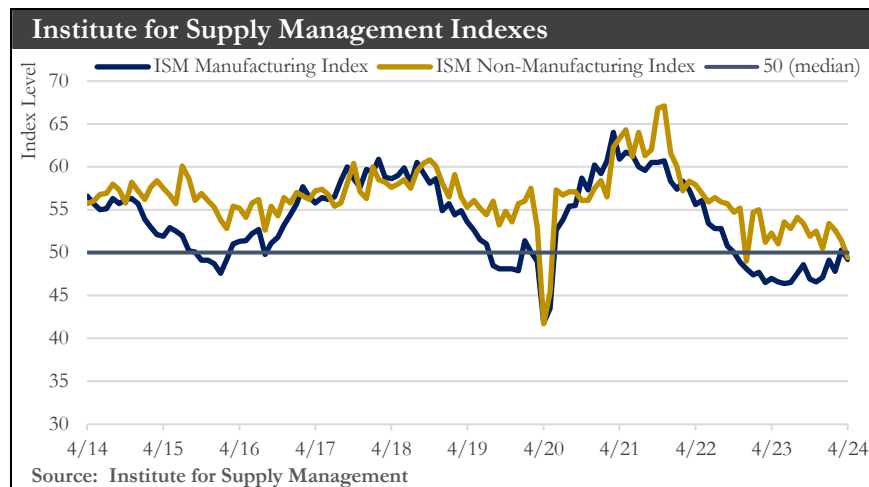
CMC UPDATE: ISM Services Index Slips Into Contraction Territory

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May 6, 2024

The Institute for Supply Management (ISM) Services index slipped into contractionary territory with a reading of 49.4 in April, from 51.4 in March. This ends the 15-month streak of consecutive growth in the services category. The most significant contributors to this downturn were a substantial drop in the business activity index and continuous contraction in the employment index. Meanwhile, supplier deliveries remained below their historical average, which suggests faster vendor deliveries and could indicate a further erosion in demand.

This report shows growing weakness in the services sector. Taken together with the slower wage growth of the latest jobs report, these developments could contribute to a downward trend in services inflation in the upcoming months. For the time being, the Federal Reserve is likely to maintain a stance of patience as it determines if services sector weakness will be sustained.



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