Service Sector Continues to Expand in August

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This morning, the ISM survey of U.S. service managers suggested the largest part of the U.S. economy isn't slowing quite as much as other sectors. The composite services index rose from 51.4 to 51.5 in August, indicating mild expansion (above 50) for the second straight month while providing a dose of optimism amid signs of a softening economy.

The business activity index slipped from 54.5 to 53.0, but continued to indicate *expansion*, while the new orders index increased from 52.4 to 53. Unfortunately, several subindexes pointed to slower future growth. New export orders dropped from 58.5 to 50.9 while order backlogs fell from 50.6 to 43.7.

On Tuesday, the ISM *manufacturing* survey indicated continued sluggishness in the factory sector. The composite manufacturing index rose from 46.8 to 47.2 but remained below the 50 mark (indicating contraction) for the fifth straight month and 21 of the last 22. The current production index fell to its lowest level in over four years, while the new orders index is now at a 15-month low. *This suggests further slowing ahead.*

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