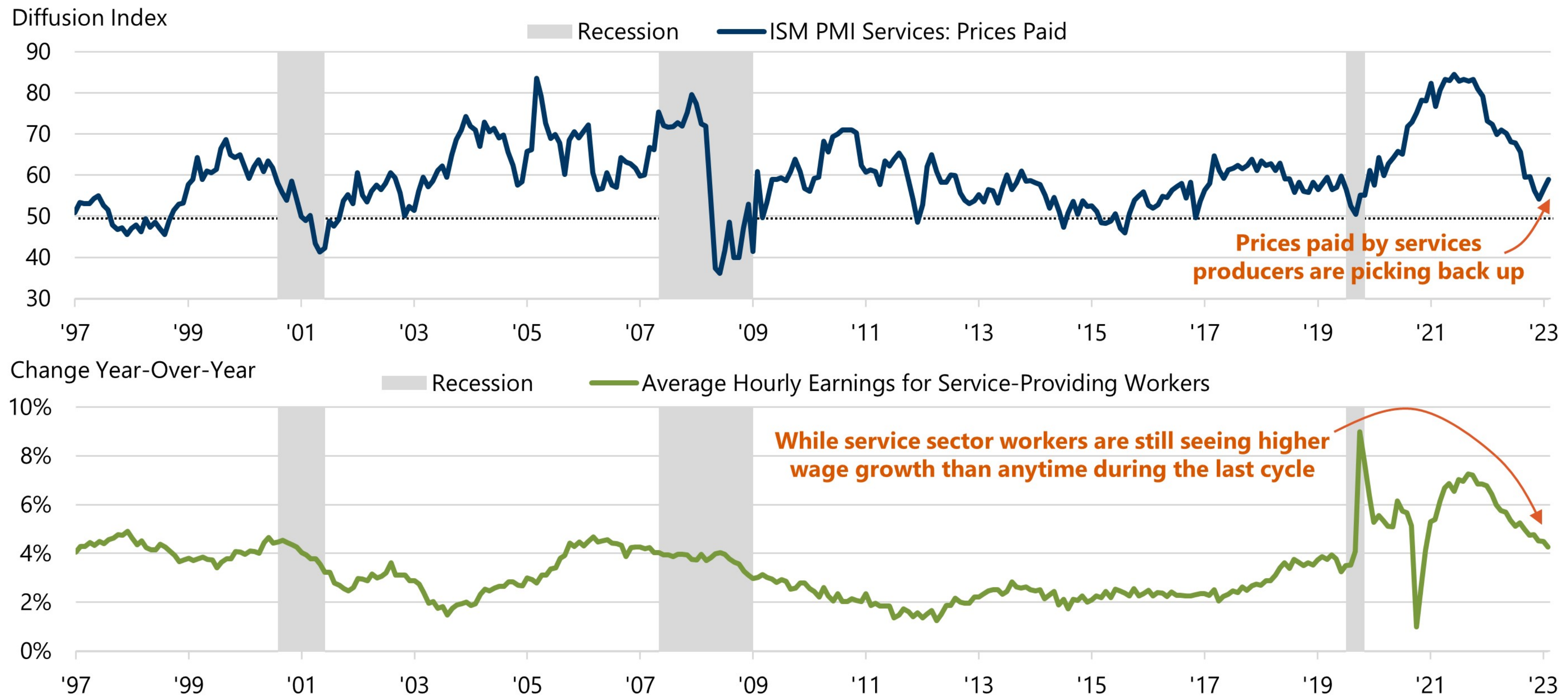


Excellent Service, Steep Prices

Services PMI* "Prices Paid" and Wage Growth of Service-Providing Workers

For The Week Ending 09/08/2023



Source: Bureau of Labor Statistics, Institute for Supply Management

*Purchasing Manager's Index, values above 50 indicates that prices paid are increasing, and vice versa

This week, the Institute for Supply Management survey of purchasing managers in the service sector unsettled investors who anticipated that the Fed hiking cycle was over. The "prices paid" component rose to 58.9 in August from 54.1 in June. Notably, overall service sector activity—a linchpin of this recovery—has accelerated from 50.3 in May to 54.5, defying expectations of the economy slowing, much less a risk for a recession. In the Personal Income and Spending report last week, non-housing services core PCE had accelerated back to 0.5% month-over-month, while wage growth for service-providing workers is still running faster than any time during the last recovery. Bond investors are still pricing in rate cuts in the first half of 2024—we remain skeptical. Governor Waller's cautious remarks on CNBC this week—"We can just sit there and wait for the data"—capture our sentiment. Summer vacation is over; we have another inflation report, producer price index, and retail sales before the next Fed meeting on September 20.