



Economics Group

Tim Quinlan, Senior Economist
tim.quinlan@wellsfargo.com • (704) 410-3283
Sarah House, Senior Economist
sarah.house@wellsfargo.com • (704) 410-3282

Service Sector Expanded in July Despite Rising Virus Cases

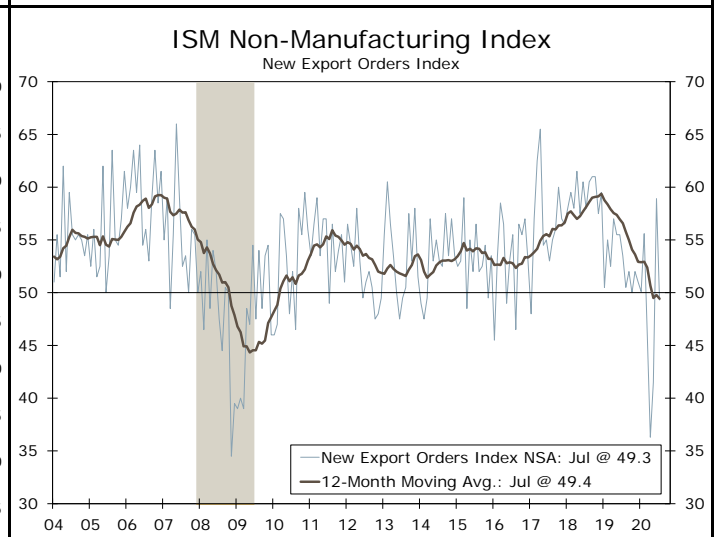
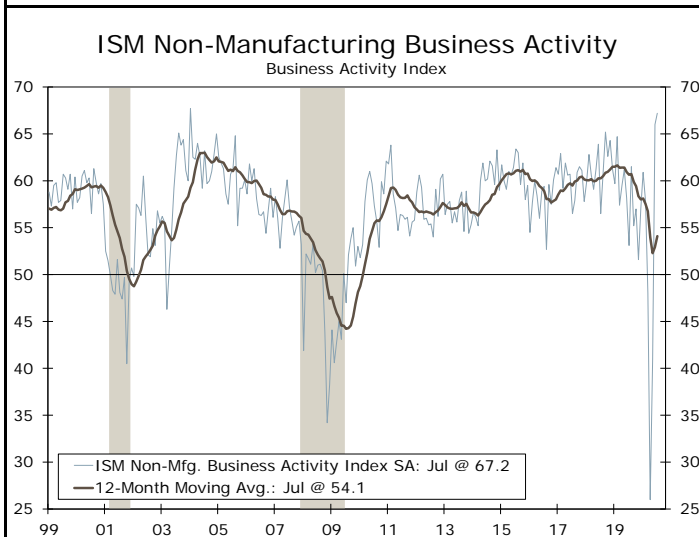
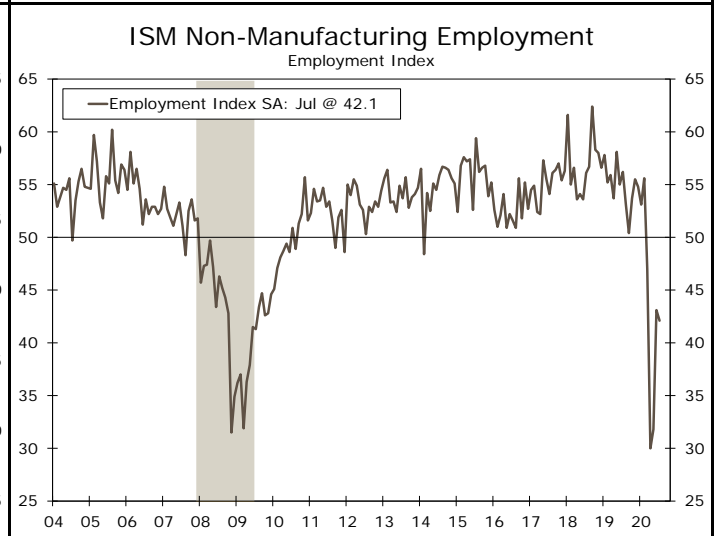
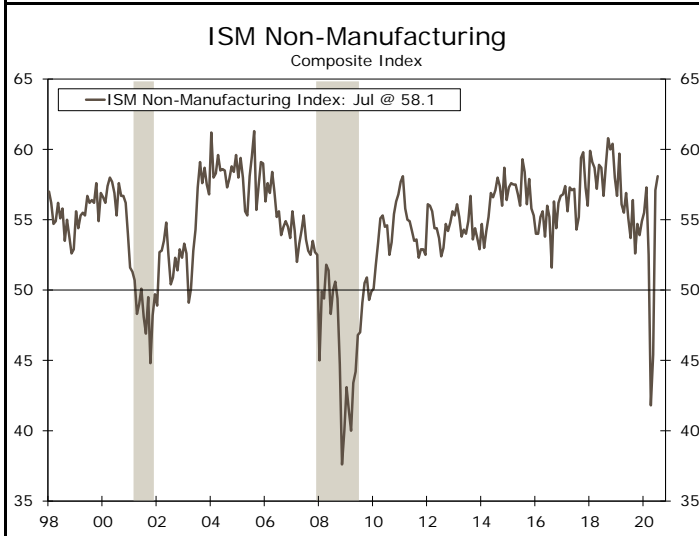
Despite renewed outbreaks in July, the service sector woke up from hibernation with a huge share of businesses seeing a pick-up in activity, but service providers are not yet ready to bring back their full staff.

Stronger Than Expected

- As virus case-counts rebounded in July, the reopening of the service economy continued largely undaunted. The service sector ISM rose to 58.1 in July. As we said in the manufacturing ISM write-up on Monday, keep in mind that these diffusion indexes are a measure of breadth rather than degree of strength; that can exaggerate reading around inflection points. Business activity at a 16 year high in July is a great example of this.

Open...With a Limited Staff

- The employment component slipped further into contraction territory in July, coming in at 42.1. Service providers are not yet ready to call people back to work in large numbers.
- In a separate release this morning, we learned the trade deficit narrowed in June as exports outpaced imports. The U.S. is a big exporter of services that may be facing some headwinds. Note that the exports component slipped into contraction in July.



Source: Institute for Supply Management and Wells Fargo Securities

Wells Fargo Securities Economics Group

Jay H. Bryson, Ph.D.	Chief Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	International Economist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Azhar Iqbal	Econometrician	(212) 214-2029	azhar.iqbal@wellsfargo.com
Sarah House	Senior Economist	(704) 410-3282	sarah.house@wellsfargo.com
Charlie Dougherty	Economist	(704) 410-6542	charles.dougherty@wellsfargo.com
Michael Pugliese	Economist	(212) 214-5058	michael.d.pugliese@wellsfargo.com
Brendan McKenna	International Economist	(212) 214-5637	brendan.mckenna@wellsfargo.com
Shannon Seery	Economist	(704) 410-1681	shannon.seery@wellsfargo.com
Jen Licis	Economic Analyst	(704) 410-1309	jennifer.licis@wellsfargo.com
Hop Mathews	Economic Analyst	(704) 383-5312	hop.mathews@wellsfargo.com
Coren Burton	Administrative Assistant	(704) 410-6010	coren.burton@wellsfargo.com

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