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fastest pace in five months, the Institute for Supply Management said Monday.

Aug. 05, 2013

The nation's service sector, a crucial economic component, expanded in July at its fastest pace in five months, the Institute for Supply Management said Monday.

The group's purchasing managers' index for non-manufacturing businesses rose to 56 last month, from June's 52.2. A reading above 50 indicates the sector is expanding.

The June reading was the lowest since early 2010, raising concerns about a summer slowdown.

But service-sector growth rebounded sharply last month. The pace beat analyst expectations and was the best since February, ISM said.

Of the 18 industries the index tracks, 16 reported growth in July, including construction, real estate, finance and hotel and food services.

The two sectors reporting contraction were mining and healthcare and social assistance.

The sector's business activity and production index jumped to 60.4, from 51.7, marking the best reading since December. A sign of future activity, the new orders index, rose to 57.7, from 50.8.

But unlike ISM's manufacturing index data released last week, showing U.S. factories expanding at their fastest pace in two years, all the signs in the services sector were not positive.

Employment growth slowed in July. The ISM employment index fell to 53.2, from 54.7. That's a discouraging sign given Friday's government report that job growth

slowed in July from the previous month.

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