

## April ISM Non-Manufacturing Index

**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Senior Economist  
**Strider Elass** – Economic Analyst

- The ISM non-manufacturing composite index fell to 53.5 in April, coming in below the consensus expected decline to 55.3. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The key sub-indexes were mostly lower in April. The new orders index fell to 53.5 from 58.8 and the business activity index declined to 54.6 in April from 58.9. The employment index also fell to 54.2 from 56.7. The supplier deliveries index rose to 51.5 from 49.5.
- The prices paid index dropped to 53.6 in April from 63.9 in March.

**Implications:** Unlike the manufacturing sector, which showed acceleration in April, the service sector continued to grow in April, but not as quickly as it had been for the first three months of the year. While still above 50 for the 28<sup>th</sup> straight month – signaling growth – the ISM services index came in lower than the consensus expected in April. The business activity index, which has an even stronger correlation with real GDP growth than the overall index, also fell in April, but remains at a solid 54.6. The employment index followed the same pattern, dropping, but to a level still above 50. On the inflation front, the prices paid index fell to 53.6. This is consistent with other indicators showing a temporary moderation in inflation. However, given the loose stance of monetary policy, we don't expect this lull to last. In other recent news, the ADP employment index, which measures private sector payrolls, increased 119,000 in April. New claims for unemployment insurance fell 27,000 last week to 365,000, while continuing claims for regular state benefits dropped 53,000 to 3.28 million. Plugging all these figures into our employment models suggests tomorrow's official Labor Department report will show a 155,000 gain in private payrolls (145,000 nonfarm) and a jobless rate of 8.1%.

**ISM Nonmanufacturing: NMI Composite Index**  
 SA, 50+=Increasing



**ISM: Nonmfg: Prices Index**  
 SA, 50+ = Econ Expand



<b>Non-Manufacturing ISM Index</b> <i>Seasonally Adjusted Unless Noted</i>	<b>Apr-12</b>	<b>Mar-12</b>	<b>Feb-12</b>	<b>3-month moving avg</b>	<b>6-month moving avg</b>	<b>Year-ago level</b>
<b>Composite Index</b>	<b>53.5</b>	56.0	57.3	55.6	54.9	54.4
<b>Business Activity</b>	<b>54.6</b>	58.9	62.6	58.7	57.9	56.0
<b>New Orders</b>	<b>53.5</b>	58.8	61.2	57.8	56.9	55.3
<b>Employment</b>	<b>54.2</b>	56.7	55.7	55.5	54.0	53.3
<b>Supplier Deliveries (NSA)</b>	<b>51.5</b>	49.5	49.5	50.2	50.5	53.0
<b>Prices</b>	<b>53.6</b>	63.9	68.4	62.0	62.3	68.3

Source: Institute for Supply Management