

May ISM Non-Manufacturing Index

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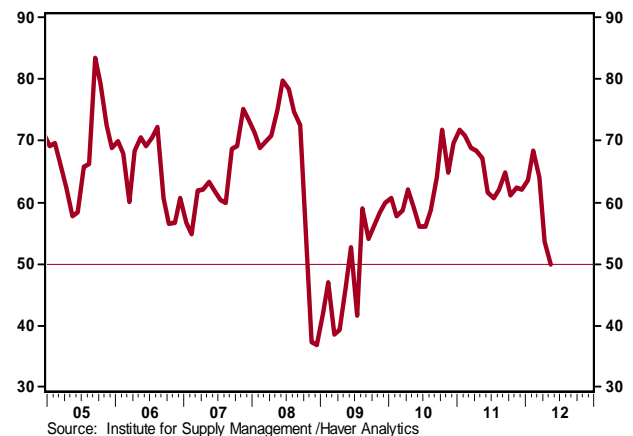
- The ISM non-manufacturing index rose to 53.7 in May, coming in slightly above the consensus expected 53.4. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The key sub-indexes were mostly higher in May and all remained above 50, signaling expansion. The new orders index rose to 55.5 from 53.5 and the business activity index gained to 55.6 in May from 54.6. The supplier deliveries index rose to 53.0 from 51.5. The employment index fell to 50.8 from 54.2.
- The prices paid index dropped to 49.8 in May from 53.6 in April.

Implications: The service sector accelerated slightly in May, narrowly beating consensus expectations. A small increase in the index is usually not much to get excited about. But, given the awful financial news coming out of Europe, which is creating dour sentiment holding down the index, it's great news that it beat the consensus. The ISM services index has now remained above 50 for 29 straight months signaling continued growth. The business activity index, which has an even stronger correlation with real GDP growth than the overall index, rose to a solid 55.6, nowhere close to recession territory. The employment index fell once again to 50.8, consistent with the slower growth in payrolls we saw in last week's Labor Department report. On the inflation front, the prices paid index fell to 49.8. This is consistent with other indicators showing a temporary moderation in inflation. However, given the loose stance of monetary policy, we don't expect the lull to last. In other recent news, US consumers bought cars and light trucks at a 13.7 million annual rate in May. This was less than the 14.5 million pace the consensus expected and down 4.5% from April. However, it was still up 17.4% from a year ago, when sales were affected by the aftermath of the tsunami in Japan. Medium & heavy trucks were bought at a 391,000 annual rate in May, up 16.4% from April and 25.3% from a year ago. The gain signals continued growth in the business sector.

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



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



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	May-12	Apr-12	Mar-12	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	53.7	53.5	56.0	54.4	55.1	54.5
Business Activity	55.6	54.6	58.9	56.4	57.9	54.5
New Orders	55.5	53.5	58.8	55.9	57.2	55.9
Employment	50.8	54.2	56.7	53.9	54.1	53.6
Supplier Deliveries (NSA)	53.0	51.5	49.5	51.3	51.0	54.0
Prices	49.8	53.6	63.9	55.8	60.2	67.2

Source: Institute for Supply Management