

## March ISM Non-Manufacturing Index

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- The ISM non-manufacturing index declined to 54.4 in March, coming in below the consensus expected dip to 55.5. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The direction of the key sub-indexes was mixed in March, but all remain above 50. The new orders index declined to 54.6 from 58.2 and the business activity index slipped to 56.5 from 56.9. The employment index fell to 53.3 in March from 57.2 while the supplier deliveries index rose to 53.0 from 51.5.
- The prices paid index declined to 55.9 in March from 61.7 in February.

**Implications:** Today’s ISM services report came in at the lowest level in 7 months, but was still a very respectable 54.4, signaling continued moderate growth in the service sector. There is nothing to worry about here. The report is the 39th consecutive reading above 50, signaling expansion. The business activity index, – which has a stronger correlation with economic growth than the overall index – slipped to a still strong 56.5. On the inflation front, the prices paid index fell to 55.9. However, given the loose stance of monetary policy, this inflation should rebound in the next few months. In other recent news, this morning’s ADP Employment report showed a gain of 158,000 in private payrolls in March. As a result of this report and other fresh data, our employment models are now projecting a nonfarm payroll gain of 190,000 and a private sector gain of 200,000, with the unemployment rate staying at 7.7%. That official report arrives Friday morning. Yesterday, automakers reported sales at a 15.3 million annual rate for March, just as the consensus expected. This is a decline of 0.7% from February, but sales are still up 8% from a year ago. We’re still forecasting 3% real GDP growth for Q1 and are projecting the same growth rate for Q2 as well. Again, still no sign of a weakening consumer or economy due to either the fiscal cliff deal or supposed concerns about the federal spending sequester. The plow horse economy continues to move forward.

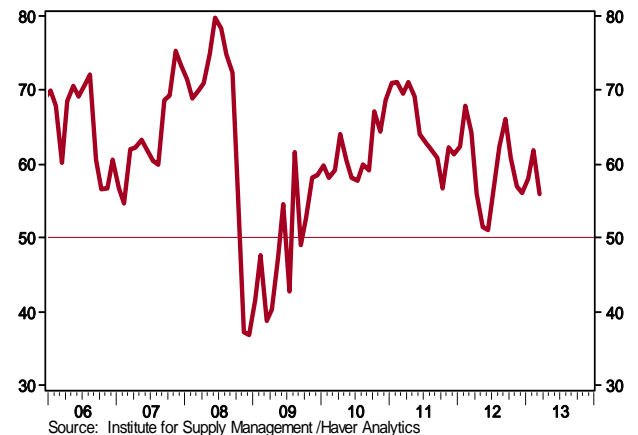
ISM Nonmanufacturing: NMI Composite Index

SA, 50+=Increasing



ISM: Nonmfg: Prices Index

SA, 50+ = Econ Expand



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Mar-13	Feb-13	Jan-13	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Composite Index</b>	54.4	56.0	55.2	55.2	55.2	55.0
<b>Business Activity</b>	56.5	56.9	56.4	56.6	58.1	58.4
<b>New Orders</b>	54.6	58.2	54.4	55.7	56.6	56.6
<b>Employment</b>	53.3	57.2	57.5	56.0	54.9	55.4
<b>Supplier Deliveries (NSA)</b>	53.0	51.5	52.5	52.3	51.0	49.5
<b>Prices</b>	55.9	61.7	58.0	58.5	58.2	64.3

Source: Institute for Supply Management