

April ISM Non-Manufacturing Index

Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Dep. Chief Economist
 Strider Elass – Economist

- The ISM non-manufacturing index declined to 53.1 in April, coming in below the consensus expected dip to 54.0. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The direction of the key sub-indexes were all lower in April, but all remain above 50. The new orders index declined to 54.5 from 54.6 and the business activity index slipped to 55.0 from 56.5. The employment index fell to 52.0 in April from 53.3 while the supplier deliveries index declined to 51.0 from 53.0.
- The prices paid index declined to 51.2 in April from 55.9 in March.

Implications: Today's ISM services report came in at the lowest level in 9 months, but was still a very respectable 53.1, signaling continued moderate growth in the service sector. There is nothing to worry about here. The report is the 40th 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 solid 55.0. The employment index also fell to 52.0 from 53.3. This is nothing to fret over either as we got actual employment numbers for the service sector today for April and they were much better than the consensus expected. The ISM surveys can sometime reflect the vagaries of business sentiment rather than actual levels of service sector output. With so much talk about how the fiscal cliff deal and the federal spending sequester are going to hurt businesses and consumers, it would not be surprising if this was having an impact on business sentiment. The truth is, from looking at the data over the past few months, not the words coming out of Washington, there has been no significant impact on the consumer or economy and we do not think there will be. On the inflation front, the prices paid index fell to 51.2. We believe quantitative easing was a mistake and any more would be an even bigger mistake. Monetary policy is extremely loose, and no further monetary action is warranted. What we have here is another Plow Horse report showing an economy growing right around 2.5-3%.

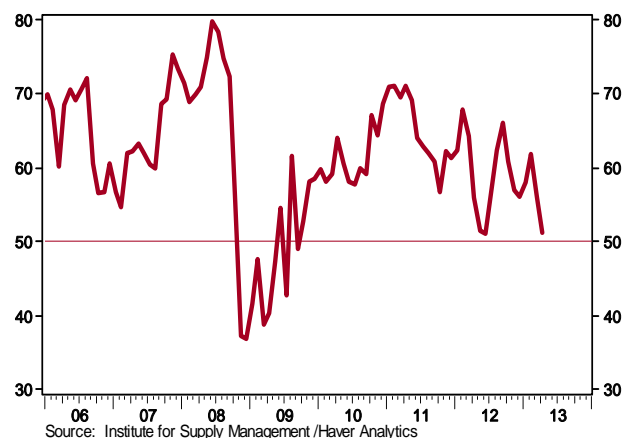
ISM Nonmanufacturing: NMI Composite Index

SA, 50+=Increasing



ISM: Nonmfg: Prices Index

SA, 50+ = Econ Expand



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Apr-13	Mar-13	Feb-13	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	53.1	54.4	56.0	54.5	54.9	53.7
<i>Business Activity</i>	55.0	56.5	56.9	56.1	57.8	55.2
<i>New Orders</i>	54.5	54.6	58.2	55.8	56.3	54.2
<i>Employment</i>	52.0	53.3	57.2	54.2	54.5	53.9
<i>Supplier Deliveries (NSA)</i>	51.0	53.0	51.5	51.8	50.9	51.5
Prices	51.2	55.9	61.7	56.3	56.6	55.9

Source: Institute for Supply Management