

March 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 56.5 in March from 56.9, matching consensus expectations. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in March, but all remain above 50. The business activity index fell to 57.5 from 59.4 while the supplier deliveries dipped to 54.0 from 55.0. The new orders index rose to 57.8 from 56.7 while the employment index ticked higher to 56.6 from 56.4.
- The prices paid index rose to 52.4 in March from 49.7 in February.

Implications: The ISM service sector report showed a slight decline in March, but is still at levels signaling solid economic growth in the service sector. In other words, this sector of the economy has not been as negatively affected as manufacturing by the unusually cold winter, West Coast port shutdowns, and declining energy prices. The March reading of 56.5 represents the 62nd consecutive month above 50 (levels above 50 signal expansion; levels below 50 signal contraction), while the 57.1 average level over the past year is the best twelve-month average going back to 2006. Of the eighteen industries reporting, fourteen showed growth in March while four showed declines, led by mining. That’s not a surprise given the steep drop in energy prices. The strongest area in today’s report came from the new orders index, a more forward looking measure of activity, which rose to 57.8 from 56.7 in February. Employment also ticked higher in March to 56.6, signaling that firms continued to hire, and at a slightly faster pace (a bit of a surprise given the weakness in Friday’s employment report). The business activity index, which has a stronger correlation with economic growth than the overall index, declined to a still strong 57.5 in March. Expect activity to move higher over the coming months as companies move to fill the new orders coming in. On the inflation front, the prices paid index rose above 50 in March after three months below that key level. Beef and chicken prices led the price index higher in March, while rising fuel costs will likely push the index higher over the coming months. Overall, a plow horse report from the service sector.

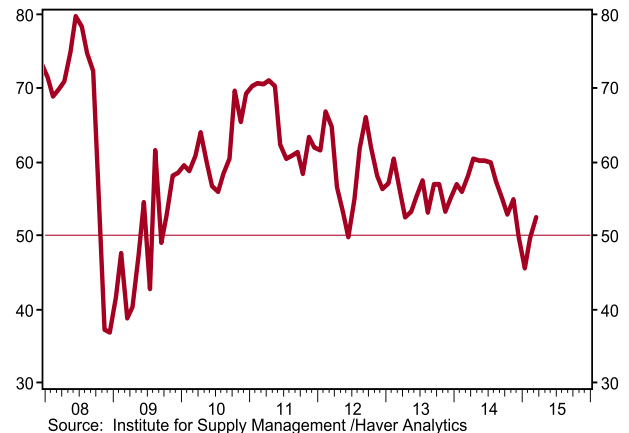
ISM Nonmanufacturing: NMI Composite Index

SA, 50+=Increasing



ISM: Nonmfg: Prices Index

SA, 50+ = Econ Expand



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Mar-15	Feb-15	Jan-15	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	56.5	56.9	56.7	56.7	57.1	53.7
Business Activity	57.5	59.4	61.5	59.5	60.2	54.2
New Orders	57.8	56.7	59.5	58.0	58.9	54.8
Employment	56.6	56.4	51.6	54.9	55.8	53.7
Supplier Deliveries (NSA)	54.0	55.0	54.0	54.3	53.3	52.0
Prices	52.4	49.7	45.5	49.2	50.9	58.1

Source: Institute for Supply Management