

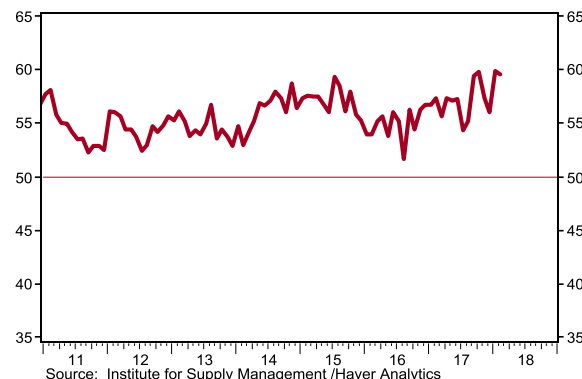
February ISM Non-Manufacturing Index

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- The ISM non-manufacturing index declined to 59.5 in February, beating the consensus expected 59.0. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in February, and all remain well above 50, signaling expansion. The employment index fell to 55.0 from 61.6 in January, while the supplier deliveries index was unchanged at 55.5. The business activity index rose to 62.8 from 59.8 in January and the new orders index increased to 64.8 from 62.7.
- The prices paid index declined to 61.0 from 61.9 in January.

Implications: Service sector activity continued to hum along in February, though at a slightly slower pace than in January. And while the pace of growth slowed modestly, the breadth of the expansion widened in February, with sixteen of eighteen industries reporting growth (two reported contraction), up from fifteen industries reporting growth in January. Meanwhile, the most forward looking indices – new orders and business activity – both rose in February. In fact, the new orders index reading of 64.8 represents the highest reading for the index going back to late 2005. Paired with the recent tax reform, activity from the service sector looks set to remain robust over at least the coming months. The supplier deliveries index was once again unchanged in February, but remains elevated from the levels that we saw in mid-2017, before the hurricane season. While there may still be some lingering remnants of storm impacts, this also reflects a pickup in orders and activity due to an accelerating economy. The prices paid index declined to 61.0 in February but that still signals price increases, with rising prices cited across fuel types and metals. In total, twenty-three commodities were reported up in price while just three were reported lower. On the jobs front, the employment index declined to 55.0 from 61.6 in January. Our forecast may change with ADP and initial claims data due out before Friday’s jobs report, but we are currently forecasting 222,000 nonfarm jobs added in February. Recent tariff talk and poor trade policy decisions out of Washington are worrying, but the fundamentals for economic growth remain strong. In other recent news, automakers reported selling cars and light trucks at a 17.1 million annual rate in February, down 0.5% from January and down 2.2% from a year ago. Given the unusual strength of auto sales in the last few years, sales this year should continue to lag levels hit in 2016-17 as consumers shift their purchases toward other sectors.

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



ISM Nonmanufacturing: Prices Index
 SA, 50+ = Economy Expanding



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Feb-18	Jan-18	Dec-17	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Composite Index	59.5	59.9	56.0	58.5	58.7	57.4
Business Activity	62.8	59.8	57.8	60.1	60.7	62.9
New Orders	64.8	62.7	54.5	60.7	60.9	61.1
Employment	55.0	61.6	56.3	57.6	57.0	54.9
Supplier Deliveries (NSA)	55.5	55.5	55.5	55.5	56.1	50.5
Prices	61.0	61.9	59.9	60.9	61.7	57.1

Source: Institute for Supply Management