

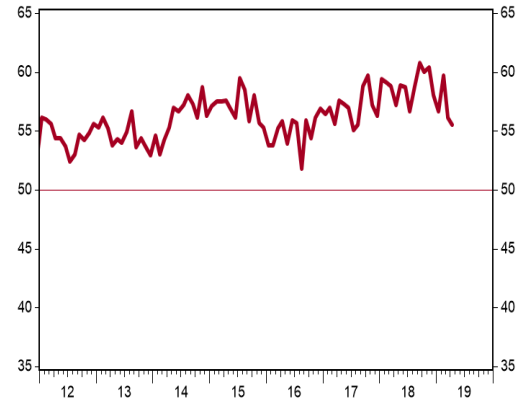
# April ISM Non-Manufacturing Index

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- The ISM non-manufacturing index declined to 55.5 in April, below the consensus expected 57.0. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly lower in April, but all remain above 50, signaling expansion. The employment index fell to 53.7 from 55.9 in March, while the supplier deliveries index declined to 50.5 from 52.0. The new orders index moved lower to 58.1 from 59.0 in March. The business activity index rose to 59.5 from 57.4.
- The prices paid index fell to 55.7 from 58.7 in March.

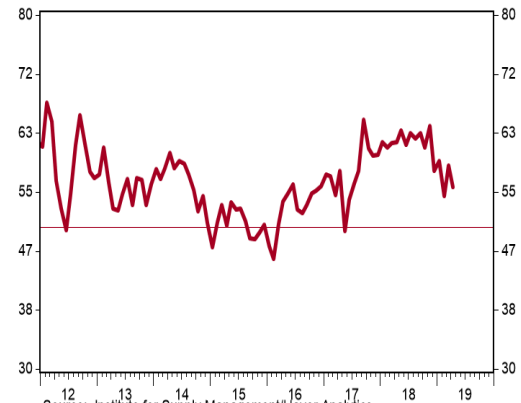
**Implications:** Activity in the service sector continues to grow at a healthy pace, and the outlook remains bright. Fifteen of eighteen sectors reported growth in April, while no industries reported contraction. And growth for the month would have been faster, but multiple respondents continue to report difficulties in finding qualified labor to fill open positions. In other words, the April slowing in the pace of growth (remember, levels above 50 represent growth, so the decline in April represents continued growth but at a slower pace than in March) is nothing to worry about, and the expansion remains on track. It's a lack of supply, not demand, that is the primary drag on faster growth. The two most forward-looking indices – new orders and business activity – moved in opposite directions in April, but both remain at very healthy levels. The new orders index declined to 58.1 from 59.0, as fifteen industries reported rising orders and two (retail trade and real estate) reported contraction. Business activity, meanwhile, picked up in April, rising to 59.5 from 57.4, as respondents noted strong consumer demand and a growing customer base. Add in a combination of backorders that still need to be filled, as well as manufacturers already running at or near capacity, and both measures should remain elevated in the coming months. Companies are investing, but it takes time for new capacity to come online. Shortages are impacting prices too, which continued to rise in April. Qualified labor (most notably in construction) continues to represent one of the largest shortages companies are reporting. Despite the labor shortage and a reported slowdown in the pace of hiring activity in April, with the employment index falling to 53.7 from 55.9 in March, this morning's employment report shows the labor market is quite healthy indeed. So while the April ISM services reading did decline to the lowest reading since late 2017, it's nothing to worry about. The fundamentals remain strong.

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



Source: Institute for Supply Management/Haver Analytics

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



Source: Institute for Supply Management/Haver Analytics

Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Apr-19	Mar-19	Feb-19	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Composite Index</b>	55.5	56.1	59.7	57.1	57.7	57.2
<b>Business Activity</b>	59.5	57.4	64.7	60.5	61.1	59.5
<b>New Orders</b>	58.1	59.0	65.2	60.8	60.9	59.6
<b>Employment</b>	53.7	55.9	55.2	54.9	56.2	55.0
<b>Supplier Deliveries (NSA)</b>	50.5	52.0	53.5	52.0	52.6	54.5
<b>Prices</b>	55.7	58.7	54.4	56.3	58.4	62.0

Source: Institute for Supply Management