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April ISM Non-Manufacturing Index

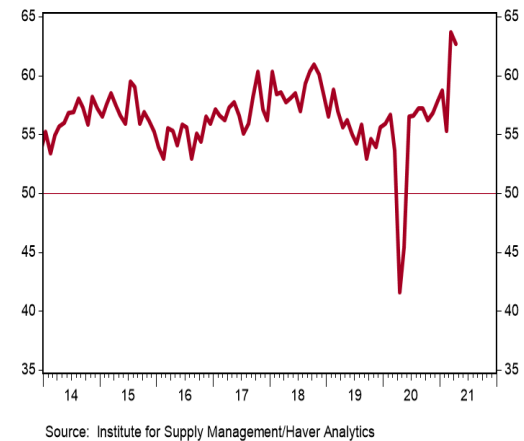
- The ISM Non-Manufacturing index declined to 62.7 in April, lagging the consensus expected 64.1. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mixed in April, but all stand above 50, signaling growth. The business activity index fell to 62.7 from 69.4 in March, while the new orders index declined to 63.2 from 67.2. The supplier deliveries index rose to 66.1 from 61.0 in March, and the employment index increased to 58.8 from 57.2.
- The prices paid index rose to 76.8 from 74.0 in March.

Implications: Growth in the service sector cooled in April from the record-setting pace in March, but it didn't slow by much. In fact, the April reading of 62.7 is the second highest level recorded for the index since the series began back in 1997. In other words, the service sector is off to a very strong start in the second quarter of 2021. Seventeen of eighteen industries reported growth in April, with agriculture, forestry, fishing & hunting (that's one combined category) reporting a decline. Given the broad-based pickup in activity, it's little surprise that survey respondent comments remain overwhelmingly positive. A respondent from the accommodations & food services industry put it best, noting "Restaurant capacity is increasing quickly as restrictions are removed. Consumers have pent-up demand; sales are increasing, and the labor pool is tight. Supply chain is challenged at every level as businesses across the U.S. ramp up." Where cautious comments did appear, they revolved heavily around labor shortages and continued supply-chain issues (note the supplier deliver index – which rises as companies report longer delivery delays - rose to 66.1 from 61.0 in March), which in turn puts upward pressure on prices. Thirty-two commodities were reported up in price (and seventeen listed in short supply) in April, driving the prices paid index to 76.8, the highest reading in more than a decade. The two most forward-looking indices – business activity and new orders – cooled in April, as they came off all-time highs. Remember, levels above 50 signal growth, so both orders and production continue to grow at a very healthy clip, just a modest easing from the blistering pace of March. A combination of the vaccine roll-out and states' easing restrictions provided a tailwind. Case in point, New York and New Jersey are lifting capacity constraints in the coming weeks, with New York City dining in particular opening back to levels not seen since shutdowns began last spring. With demand strong, companies are moving to fill positions, as shown by the employment index rising to 58.8 from 57.2 in March. In other news this morning, the ADP employment report showed 742,000 private-sector jobs gained in April, falling short of the consensus expected 850,000. While tomorrow's data on initial claims may alter our forecast, we currently expect this Friday's official employment report to show a nonfarm payroll gain of 990,000. And we forecast strong job growth to continue as we move toward the second half of the year. With each passing day, we get one step closer to getting back to "normal." That – not checks out of Washington - is the best possible stimulus the U.S. economy could possibly ask for.

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



ISM Services: Services PMI Composite Index
 SA, 50+=Increasing



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Apr-21	Mar-21	Feb-21	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	62.7	63.7	55.3	60.6	59.2	41.6
Business Activity	62.7	69.4	55.5	62.5	61.3	25.9
New Orders	63.2	67.2	51.9	60.8	60.3	32.5
Employment	58.8	57.2	52.7	56.2	54.0	29.7
Supplier Deliveries (NSA)	66.1	61.0	60.8	62.6	60.9	78.3
Prices	76.8	74.0	71.8	74.2	69.2	56.1

Source: Institute for Supply Management