

March ISM Non-Manufacturing Index

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- The ISM non-manufacturing composite index fell to 56.0 in March, coming in below the consensus expected decline to 56.8. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The key sub-indexes were mixed in March. The new orders index fell to 58.8 from 61.2 and the business activity index declined to 58.9 in March from 62.6. The employment index rose to 56.7 from 55.7 while and the supplier deliveries index remained at 49.5.
- The prices paid index fell to a still elevated 63.9 in March from 68.4 in February.

Implications: The service sector continues to grow. The ISM services index came in lower than expectations, but remains well above 50 (which signals expansion). The sector has now been above 50 for 27 straight months and is growing at a rapid rate. The business activity index, which has an even stronger correlation with real GDP growth than the overall index, fell in March, but remains at a strong 58.9 and continues in an upward trend. The employment index rose to 56.7 in March. This gain is consistent with other employment measures for a good employment report on Friday. On the inflation front, the prices paid index fell to a still elevated 63.9 after rising to 68.4 last month. These reports signal continued inflation pressure and make it harder for the Federal Reserve to justify the very loose stance of monetary policy. On the jobs front, the ADP Employment index, a measure of private sector payrolls, increased 209,000 in March. The official Labor Department report arrives Friday morning. We anticipate a nonfarm gain of 210,000 and a private sector increase of 223,000. (First Trust will be closed on Good Friday, so we won't be writing on the employment numbers until Monday.) In other recent news, autos and light trucks were sold at a 14.4 million annual rate in March, slightly less than the consensus expected pace of 14.6 million, but still the second highest month since May of 2008. Sales were down 4.8% from February, but are still up 10% from a year ago.

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-12	Feb-12	Jan-12	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	56.0	57.3	56.8	56.7	54.7	56.3
Business Activity	58.9	62.6	59.5	60.3	57.7	58.6
New Orders	58.8	61.2	59.4	59.8	56.8	60.9
Employment	56.7	55.7	57.4	56.6	53.7	54.3
Supplier Deliveries (NSA)	49.5	49.5	51.0	50.0	50.6	51.5
Prices	63.9	68.4	63.5	65.3	63.5	68.9

Source: Institute for Supply Management