

April ISM Non-Manufacturing Index

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- The ISM non-manufacturing index increased to 55.2 in April, easily beating the consensus expected 54.0. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in April, but all were above 50. The business activity index jumped to 60.9 from 53.4 while the new orders index increased to 58.2 from 53.4. The employment index moved lower to 51.3 from 53.6 while the supplier deliveries index declined to 50.5 from 52.0.
- The prices paid index rose to 60.8 in April from 58.3 in March.

Implications: Today’s report on the service sector signaled a rebound in economic growth and an upward move in inflation. Since hitting a four-year low in February, the ISM service sector has jumped to 55.2, signaling the fastest growth in eight months and showing expansion for a 51st consecutive month. Paired with the strong ISM manufacturing report from Friday, it looks like production is bouncing back from the harsher than normal winter. The business activity index– which has a stronger correlation with economic growth than the overall index – surged 7.5 points in April, the largest single-month gain since the economic recovery began. New orders also showed strong gains in April, rising to an eight month high. The most disappointing part of the report was that the employment index declined to 51.3 in April from 53.6. However, broader measures of jobs, like last week’s employment report signal a better labor market. We expect this measure to move higher in the coming months as companies hire more in response to better economic growth (which the business activity index is showing). On the inflation front, the prices paid index jumped to 60.8 in April from 58.3 in March. Still no sign of runaway inflation, but given loose monetary policy, we expect this measure to either stay elevated or even move upward over the coming year. Once again, we have a report showing the Plow Horse economy may be starting to trot.

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>	Apr-14	Mar-14	Feb-14	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	55.2	53.1	51.6	53.3	53.5	53.8
Business Activity	60.9	53.4	54.6	56.3	55.8	55.9
New Orders	58.2	53.4	51.3	54.3	53.3	55.7
Employment	51.3	53.6	47.5	50.8	53.2	52.6
Supplier Deliveries (NSA)	50.5	52.0	53.0	51.8	51.8	51.0
Prices	60.8	58.3	53.7	57.6	56.2	53.0

Source: Institute for Supply Management