

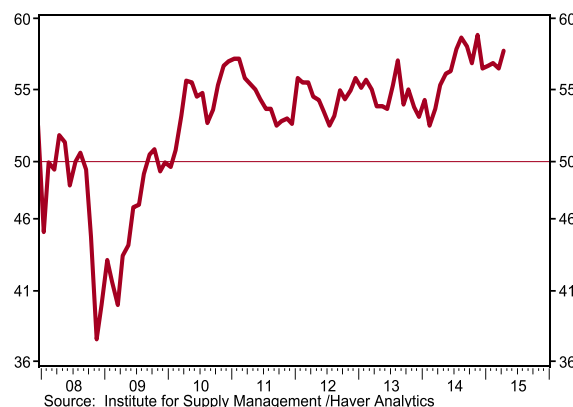
April ISM Non-Manufacturing Index

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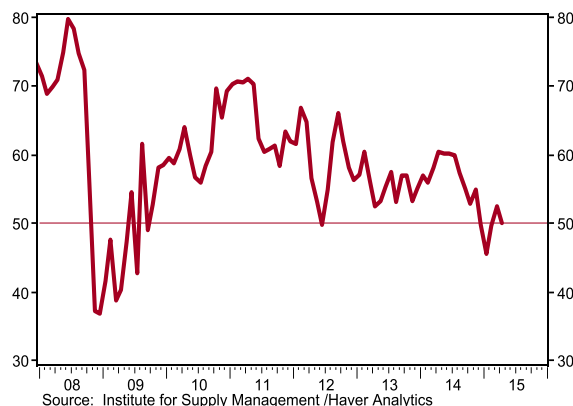
- The ISM non-manufacturing index increased to 57.8 in April from 56.5, easily beating the consensus expected 56.2. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly higher in April, and all remain above 50. The business activity index rose to 61.6 from 57.5 while the new orders index moved higher to 59.2 from 57.8. The employment index increased to 56.7 from 56.6. The supplier deliveries index dipped to 53.5 from 54.0.
- The prices paid index declined to 50.1 in April from 52.4 in March.

Implications: Despite the pullback in energy drilling, the service sector looks healthy, a sign of a rebound in economic growth in the second quarter. The ISM service sector report showed strength in April while signaling continued robust growth in the months ahead. The April reading of 57.8, which beat the estimates of all 78 economists who submitted a forecast, represents the 63rd consecutive month above 50 (levels above 50 signal expansion; levels below 50 signal contraction). Meanwhile, the 57.3 average over the past year is the best twelve-month average going back to 2006. Of the eighteen industries reporting, fourteen showed growth in April while four showed declines, led by mining. That's not a surprise given the steep drop in energy prices since mid-2014. The business activity index, which has a stronger correlation with economic growth than the overall index, rose to its highest level of 2015, while the new orders index, the most forward looking measure of service sector activity, rose 1.4 points in April to a robust 59.2. Expect activity to remain strong over the coming months as companies move to fill the new orders coming in. The employment index also ticked higher in April to 56.7, signaling that firms continued to hire, and at a slightly faster pace. On the inflation front, the prices paid index fell 2.3 points in April to 50.1. So prices are continuing to rise, but at a very modest pace. A decline in pork, dairy, and medical supply prices more than offset higher costs for beef and chicken. Over the coming months, rising fuel costs will likely push the index higher. As a whole, today's report suggests the economy is picking up the pace in Q2 after the lull in Q1. In other recent news, automakers reported that they sold cars and light trucks at a 16.5 million annual rate in April, down 3.5% from March but up 3.1% 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>	Apr-15	Mar-15	Feb-15	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	57.8	56.5	56.9	57.1	57.2	55.3
Business Activity	61.6	57.5	59.4	59.5	60.3	60.3
New Orders	59.2	57.8	56.7	57.9	58.9	58.3
Employment	56.7	56.6	56.4	56.6	55.6	52.2
Supplier Deliveries (NSA)	53.5	54.0	55.0	54.2	53.9	50.5
Prices	50.1	52.4	49.7	50.7	50.4	60.4

Source: Institute for Supply Management