

# March ISM Non-Manufacturing Index

**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Dep. Chief Economist  
**Strider Elass** – Economist

- The ISM non-manufacturing index rose to 54.5 in March from 53.4 in February, coming in above the consensus expected 54.2. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were all higher in March, and all now stand above 50, signaling expansion. The business activity index rose to 59.8 from 57.8 while the new orders index increased to 56.7 from 55.5 in February. The employment index moved higher to 50.3 from 49.7, and the supplier deliveries index rose to 51.0 from 50.5.
- The prices paid index increased to 49.1 in March from 45.5 in February.

**Implications:** Service sector activity followed the manufacturing sector higher in March, with all major measures showing gains. Of the eighteen industries that the ISM surveys, twelve reported growth in March, while only two reported contraction. Service sector activity has now grown for 74 consecutive months, and acceleration in new orders and business activity show positive signs for the months ahead. While service sector growth has slowed modestly from the average reading of 57.1 in 2015, the 53.8 average in Q1 is nothing to scoff at. The business activity index has fully recovered from a January dip, rising to a robust 59.8 in March, above the average level seen over the past three, six, and twelve month periods. The new orders index, a signal of how business activity and employment are likely to move in coming months to fill demand, rose to healthy 56.7 in March. Taken together, these two indicators suggest service sector growth should continue in the coming months. After falling into contraction territory in February, the employment index rose back above 50 in March, in line with the employment gains we saw in last Friday’s payrolls report. On the inflation front, the prices paid index moved higher to 49.1 in March from 45.5 in February, with respondents citing rising fuel and beef prices. In sum, steady growth from the service sector, paired with positive trends in employment, earnings, and home building, keep the plow horse economy plodding forward.

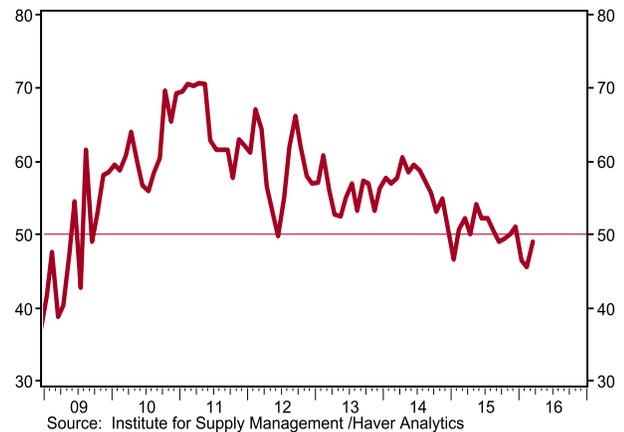
**ISM Nonmanufacturing: NMI Composite Index**

SA, 50+=Increasing



**ISM Nonmanufacturing: Prices Index**

SA, 50+ = Economy Expanding



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Mar-16	Feb-16	Jan-16	3-month moving avg	6-month moving avg	Year-ago level
<b>Composite Index</b>	<b>54.5</b>	53.4	53.5	53.8	55.4	56.9
<b>Business Activity</b>	<b>59.8</b>	57.8	53.9	57.2	58.7	59.0
<b>New Orders</b>	<b>56.7</b>	55.5	56.5	56.2	57.7	58.3
<b>Employment</b>	<b>50.3</b>	49.7	52.1	50.7	53.8	56.1
<b>Supplier Deliveries (NSA)</b>	<b>51.0</b>	50.5	51.5	51.0	51.1	54.0
<b>Prices</b>	<b>49.1</b>	45.5	46.4	47.0	48.6	52.3

Source: Institute for Supply Management