

## April ISM Non-Manufacturing Index

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- The ISM non-manufacturing index rose to 57.5 in April, coming in above the consensus expected 55.8. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly higher in April, and all stand above 50, signaling expansion. The new orders index rose to 63.2 from 58.9 in March, while the business activity index increased to 62.4 from 58.9. The supplier deliveries index moved higher to 53.0 from 51.5 in March. The employment index declined to 51.4 from 51.6.
- The prices paid index rose to 57.6 from 53.5 in March.

**Implications:** Service sector activity picked up pace in April, growing for an 88th consecutive month. Just a month ago, the pouting pundits were noting that March activity showed the slowest pace of expansion since before the election, but the index bounced back in April to the second highest reading since 2015. As we have said before, monthly data can be volatile, it's the trend that matters, and the trend is pointing to continued growth. The expansion was broad-based in April, with sixteen of eighteen industries reporting growth. Meanwhile, the two most forward looking indices – new orders and business activity – both showed a faster pace of expansion in April. At 63.2, the April reading on new orders represents the highest level for the index in more than a decade, while not a single industry reported a contraction in new orders compared to March. The employment index was the sole major measure to decline in April, though the slowdown was minor. That said, other measures of the labor market continue to show healthy jobs gains. On the inflation front, the prices paid index increased to 57.6 in April from 53.5 in March, led by diesel fuel and beef prices. In full, the ISM services report paints a positive picture of a growing economy. In other news this morning, the ADP index says private-sector payrolls increased 177,000 in April, beating consensus expectations. Plugging these data into our payroll models suggests the Labor Department's official report to be released Friday will show a nonfarm payroll gain of about 206,000, although the forecast may change slightly based on tomorrow's report on unemployment claims. In other recent news, automakers reported sales of cars and light trucks at a 16.9 million annual rate in April, up 1.6% from March but down 3.0% from a year ago. We expect a strong pace of sales, on average, in 2017, but not quite as strong as 2015-16. Instead, consumers will spend their growing incomes on other consumer discretionary items.

ISM Nonmanufacturing: NMI Composite Index  
 SA, 50+=Increasing



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



Non-Manufacturing ISM Index Seasonally Adjusted Unless Noted	Apr-17	Mar-17	Feb-17	3-month moving avg	6-month moving avg	Year-ago level
<b>Composite Index</b>	<b>57.5</b>	55.2	57.6	56.8	56.6	55.7
<b>Business Activity</b>	<b>62.4</b>	58.9	63.6	61.6	61.1	58.8
<b>New Orders</b>	<b>63.2</b>	58.9	61.2	61.1	60.0	59.5
<b>Employment</b>	<b>51.4</b>	51.6	55.2	52.7	53.5	53.3
<b>Supplier Deliveries (NSA)</b>	<b>53.0</b>	51.5	50.5	51.7	51.9	51.0
<b>Prices</b>	<b>57.6</b>	53.5	57.7	56.3	56.6	53.3

Source: Institute for Supply Management