March ISM Non-Manufacturing Index

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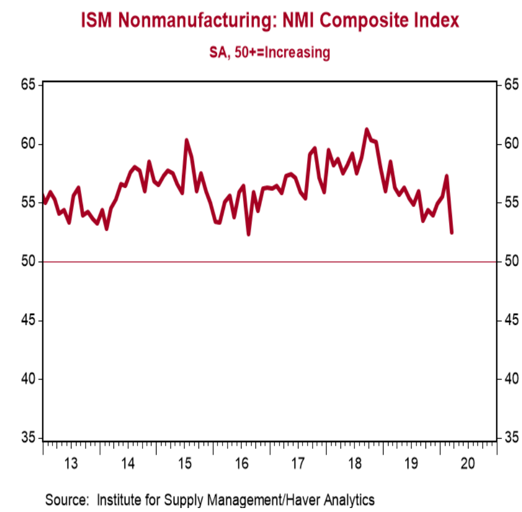
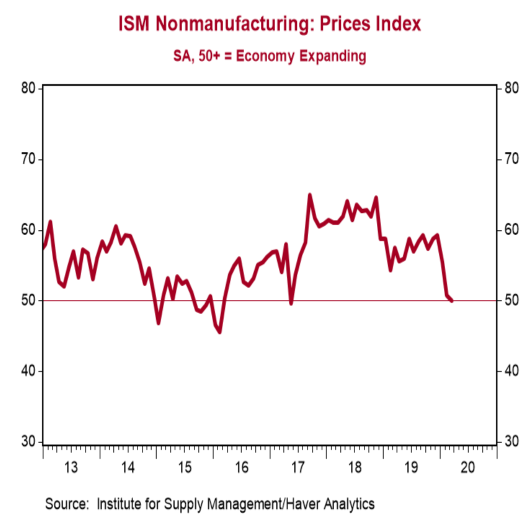
- The ISM Non-Manufacturing index declined to 52.5 in March, easily beating the consensus expected 43.0. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly lower in March. The new orders index fell to 52.9 from 63.1 in February, while the business activity index declined to 48.0 from 57.8. The employment index moved lower to 47.0 from 55.6 in February. The supplier deliveries index increased to 62.1 from 52.4.
- The prices paid index declined to 50.0 from 50.8 in February.





Implications: While the ISM non-manufacturing index remained in expansion territory in March, don't expect that to last. The data will, quite frankly, turn very ugly in the coming months as the Coronavirus shutdown brings many parts of the economy to a near standstill. Comments regarding the impact of the virus dominated survey responses, as healthcare companies reported trouble acquiring personal protective equipment, accommodations and food services companies noted significant demand disruptions, but construction and mining companies reported a less severe impact than initially expected. In total, nine of eighteen companies continued to report growth in March, while seven reported contraction (two reported no change). The two most forward-looking indices – business activity and new orders – showed the largest declines in March. Orders dropped 10.2 points, the second largest monthly decline in the index's history dating back to the late 1990s, but remained in growth territory at 52.9. The business activity index, meanwhile, fell into contraction territory with a reading of 48.0 vs the 57.8 reading in February. Expect both measures to continue moving lower in the months ahead, showing contraction until the economy can start getting back to work. The employment index dropped to 47.0 in March from 55.6 in February. Here too, the data will get worse before it gets better. Nonfarm payrolls plummeted 701,000 in March and April will have an even larger decline. The key decision at hand – the trillion-dollar question as it relates to economic recovery – is when the U.S. will re-open for business. The longer the shutdown, the deeper the contraction, the greater the number of companies that won't survive. That, in turn, means fewer jobs for the unemployed to return to, and a slower pace of recovery. The one key measure of activity that moved higher in March was supplier deliveries, which surged to 62.1 from 52.4 in February. A higher reading means companies have a greater demand for goods than the system is currently able to supply. The global supply-chain disruptions have slowed shipping and reduced production capacity around the world, and this will remain the case for the foreseeable future. On the inflation front, the prices paid index declined to 50.0 from 50.8 in February (a reading of 50.0 means essentially no change in prices from the prior month). A drop in fuel and steel prices was offset by rising costs for medical supplies and lumber. There is no "right" path moving forward that will be generally agreed upon by the population. It is not an easy decision by any means. We fight two invisible threats, the virus itself and the economic carnage it leaves in its path. The weeks ahead, while uncertainty continues to loom large, will prove a pivotal decision point for our nation's leaders.

Non-Manufacturing ISM Index *Seasonally Adjusted Unless Noted*	Mar-20	Feb-20	Jan-20	3-month *moving avg*	6-month *moving avg*	Year-ago *level*
Composite Index	**52.5**	57.3	55.5	55.1	54.8	56.3
Business Activity	**48.0**	57.8	60.9	55.6	55.3	58.0
New Orders	**52.9**	63.1	56.2	57.4	56.6	59.2
Employment	**47.0**	55.6	53.1	51.9	53.2	55.9
Supplier Deliveries (NSA)	**62.1**	52.4	51.7	55.4	53.8	52.0
Prices	**50.0**	50.8	55.5	52.1	55.3	57.5

Source: Institute for Supply Management