

Service Sector Activity Showed Improvement in April

Consistent with the signs of improvement we are seeing in other reports, the ISM's non-manufacturing index (NMI) rose more than expected in April. New orders jumped 8.2 points as economic prospects appear to be turning. Seven industries reported improvement last month as compared to just one in March.

Activity Stabilizing?

- Marking the highest reading since October, the headline NMI increased 2.9 points in April to 43.7. That level, however, is consistent with an economy still in recession.
- Current business activity continued to show modest improvement for the third straight month. The prices paid index remains muted as low service and product demand are keeping a lid on prices.

Improvement in Employment Points to Upside Risk on Friday

- Rebounding from its second lowest reading on record, the employment index rebounded to 37.0 last month. Despite the improvement, we are sticking with our -605K April nonfarm payroll call. It appears the rate of deterioration in payrolls is lessening as initial claims have presently stabilized.
- The forward-looking new orders index suggests that prospects for gradual improvement in the economy are brightening.

