

Service Sector Activity Surprises to the Upside in January

The ISM Non-Manufacturing Index (NMI) beat expectations in January, rising 2.8 points to a level of 42.9. While the industry remains mired in the current recession, the forward-looking new orders index has shown signs of life, increasing for two straight months, albeit from record lows. Service sector activity will remain challenged in 2009.

Pace of Deterioration Stabilizes

- After posting a record low level in November, activity in the service sector appears to have picked up.
- Current business activity jumped 5.3 points while the new orders index, an indicator of future activity, also increased on the month. Services growth, however, will remain restrained as the economy tries to begin the recovery process.

Prices and Employment Remain Depressed

- Despite the 6.4 point jump, prices paid remain at low levels. With slack in both services/product demand and the labor market, inflation is expected to decelerate further.
- The underlying labor market conditions remain weak. After losing 1.2 million service jobs in 2008, further losses are expected as businesses & consumers pull back on all spending.

