

Economics Group

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Service Sector Contraction Slowed in August

While not yet in expansion territory, the ISM non-manufacturing report on business showed that service industries shrank at the slowest pace in 11 months. Recovery is plausible, but consumer concerns remain.

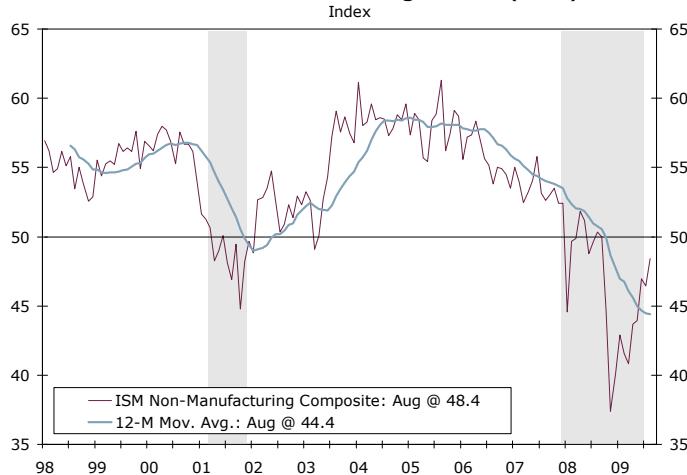
Headline Figure Inching Toward Expansion

- The headline figure for the service sector came in at 48.4 for August, showing that here too the recession is finally losing its grip. The slowing pace of decline sets the stage for recovery and eventual expansion for service industries.
- The business activity index reached into expansion territory for the first time since last September. The recovery in manufacturing is generally outpacing that of the service sector.

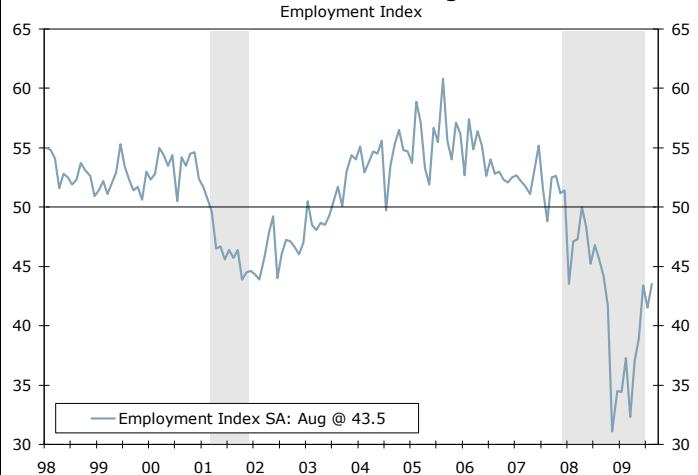
Labor Market Weighs on Consumer Spending

- Consumers remain reluctant to spend as they were accustomed to before the bust, largely due to vast losses of wealth across asset classes as well as the weak and volatile state of the labor market. Employment continues to contract across industries.
- Prices paid jumped over 20 points, the biggest one month move on record. Petroleum products were cited as primary drivers of price increases, and will likely be a drag on corporate profits.

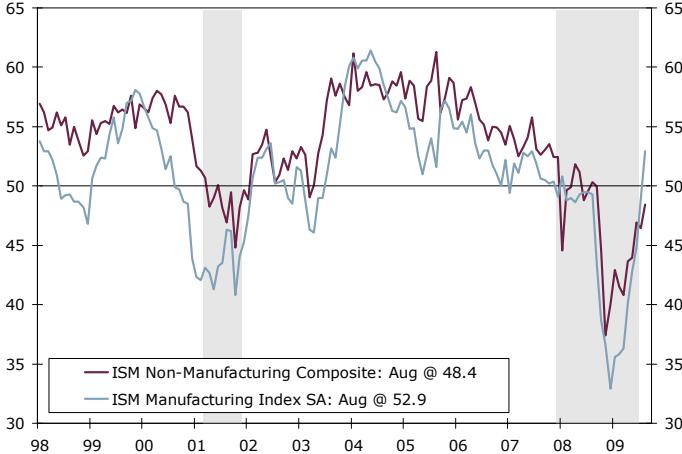
ISM Non-Manufacturing Index (NMI)



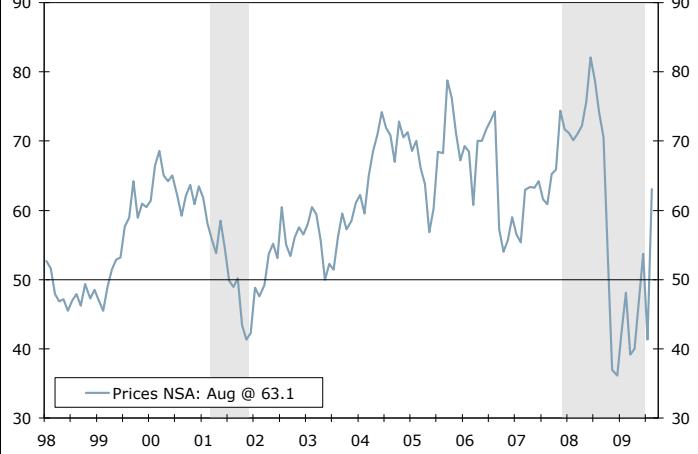
ISM Non-Manufacturing Index



ISM Manufacturing & Non-Manufacturing Composite Index



ISM Non-Manufacturing Index



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