

## Economics Group

Kim Whelan, Economic Analyst  
[kim.whelan@wachovia.com](mailto:kim.whelan@wachovia.com) • 704.715.8457

### 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.*

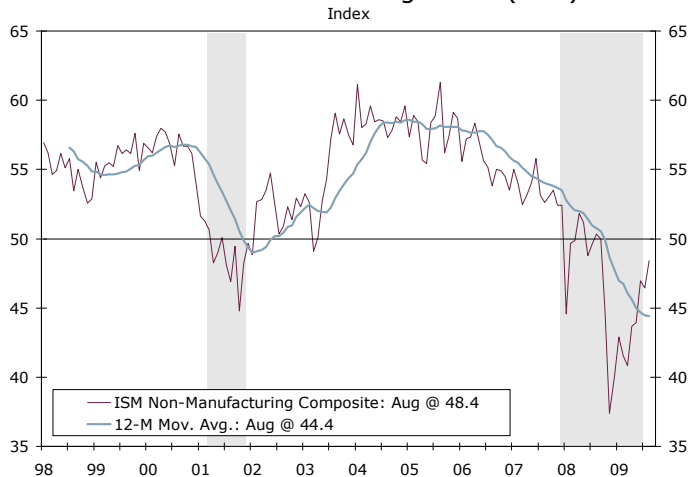
#### Headline Figure Inching Toward Expansion

- 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.

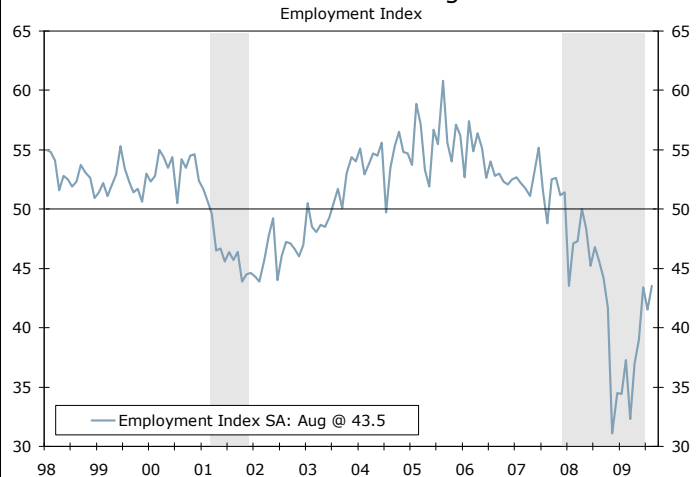
#### Labor Market Weighs on Consumer Spending

- 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.

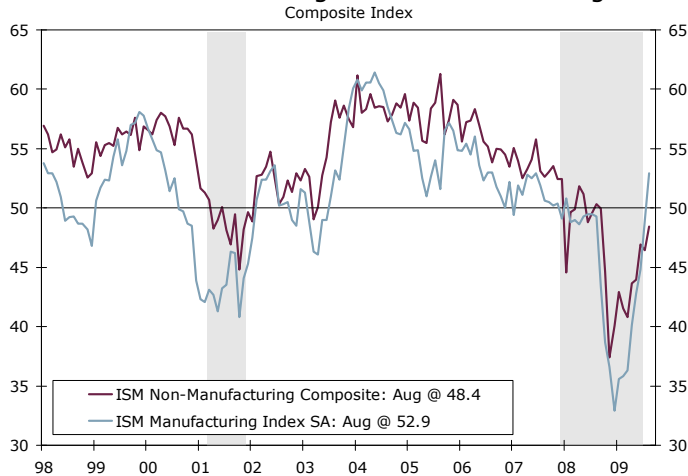
ISM Non-Manufacturing Index (NMI)



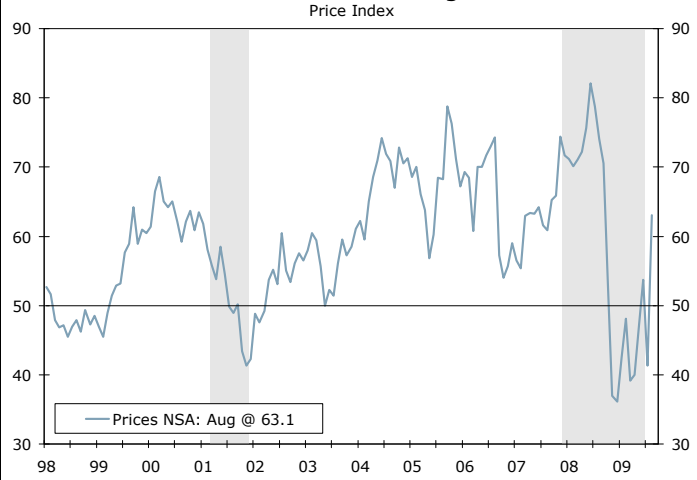
ISM Non-Manufacturing Index



ISM Manufacturing & Non-Manufacturing



ISM Non-Manufacturing Index



## Wells Fargo Securities, LLC Economics Group

Diane Schumaker-Krieg	Global Head of Research & Economics	(704) 715-8437 (212) 214-5070	diane.schumaker@wachovia.com
John E. Silvia, Ph.D.	Chief Economist	(704) 374-7034	john.silvia@wachovia.com
Mark Vitner	Senior Economist	(704) 383-5635	mark.vitner@wachovia.com
Jay Bryson, Ph.D.	Global Economist	(704) 383-3518	jay.bryson@wachovia.com
Scott Anderson, Ph.D.	Senior Economist	(612) 667-9281	scott.a.anderson@wellsfargo.com
Eugenio Aleman, Ph.D.	Senior Economist	(612) 667- 0168	eugenio.j.aleman@wellsfargo.com
Sam Bullard	Economist	(704) 383-7372	sam.bullard@wachovia.com
Anika Khan	Economist	(704) 715-0575	anika.khan@wachovia.com
Azhar Iqbal	Econometrician	(704) 383-6805	azhar.iqbal@wachovia.com
Adam G. York	Economist	(704) 715-9660	adam.york@wachovia.com
Ed Kashmarek	Economist	(612) 667-0479	ed.kashmarek@wellsfargo.com
Tim Quinlan	Economic Analyst	(704) 374-4407	tim.quinlan@wachovia.com
Kim Whelan	Economic Analyst	(704) 715-8457	kim.whelan@wachovia.com
Yasmine Kamaruddin	Economic Analyst	(704) 374-2992	yasmine.kamaruddin@wachovia.com

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