



# Economics Group

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## ISM Non-Manufacturing: Tenuous Growth in Service Sector

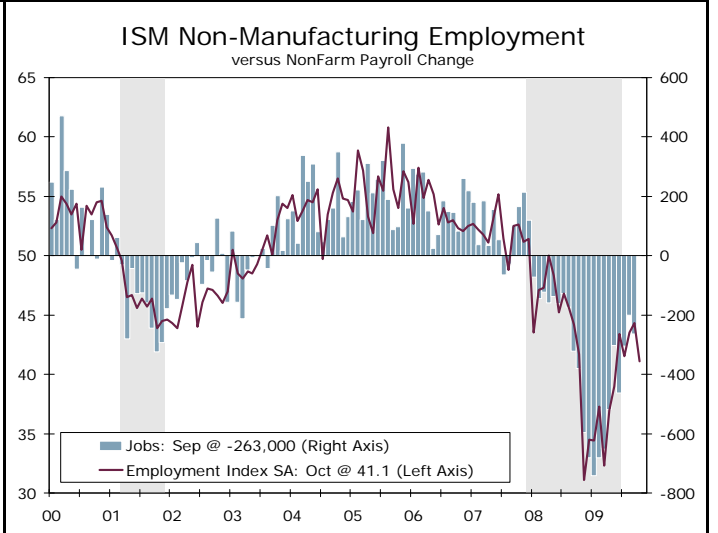
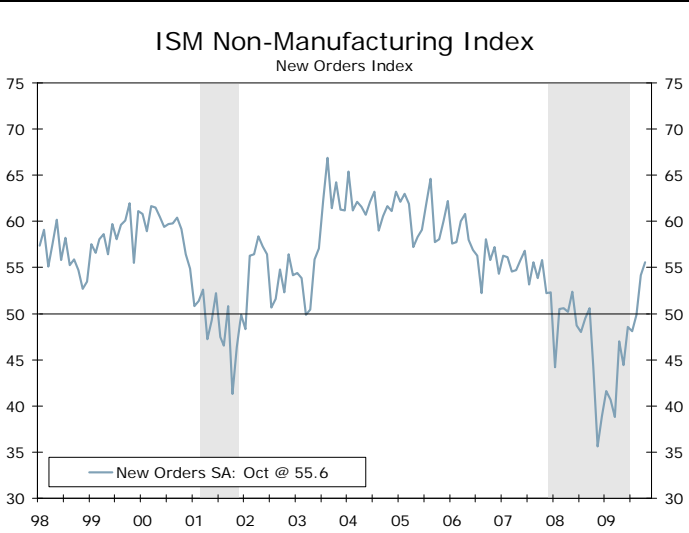
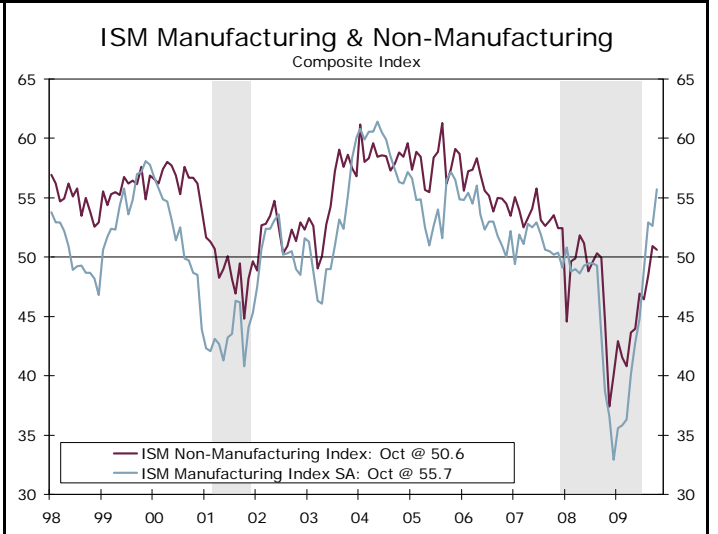
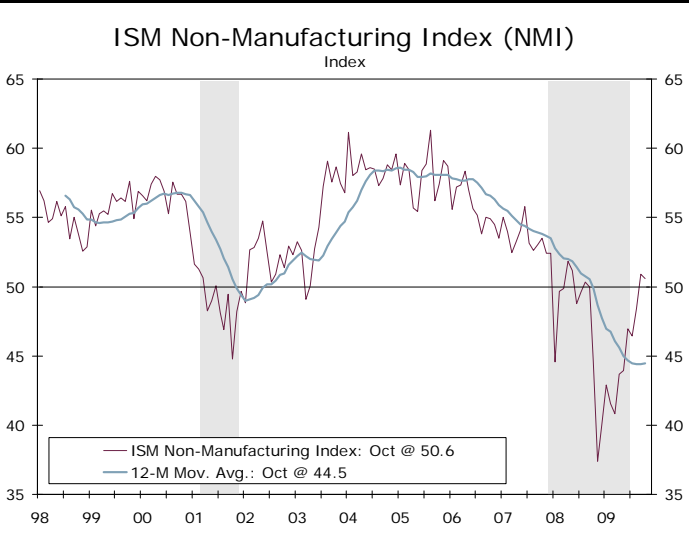
*The ISM Non-Manufacturing Composite index declined to 50.6 in October, slightly down from last month's reading but hanging on to expansionary territory. The recovery in the service sector remains fragile.*

### Headline Down, Components Volatile

- While the headline fell off slightly, it remains above the key '50' demarcation point, reflecting growth, albeit slow. Cautious consumers will weigh on the service sector for some time.
- New orders, a leading indicator for the service sector, have improved over the past four months, and the 55.6 reading in October lends credence to future strength. Prices have been volatile, but the trend remained positive with a 4.2 point gain.

### Employment Remains Problematic

- Manufacturing has improved faster than the service sector in the early months of recovery; this will likely continue into 2010.
- Employment continues to weigh on the economy, limiting consumer confidence and spending. The employment index declined for services, unlike the ISM Manufacturing survey which saw a notable gain. We see the effect as net neutral, and look for another decline of around 200K jobs in October.



Source: Institute for Supply Management and Wells Fargo Securities, LLC

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