



Economics Group

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ISM Non-Manufacturing: Slower Growth in Service Sector

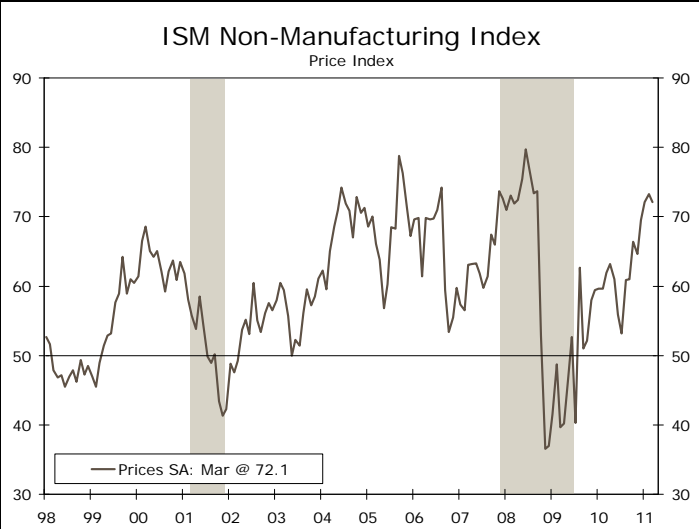
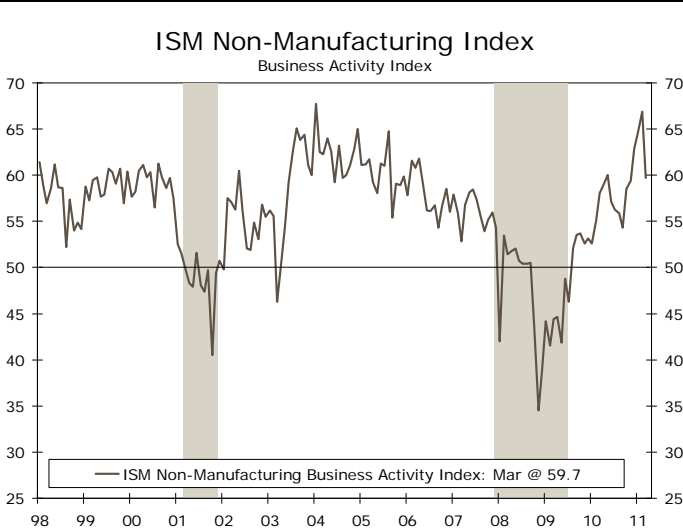
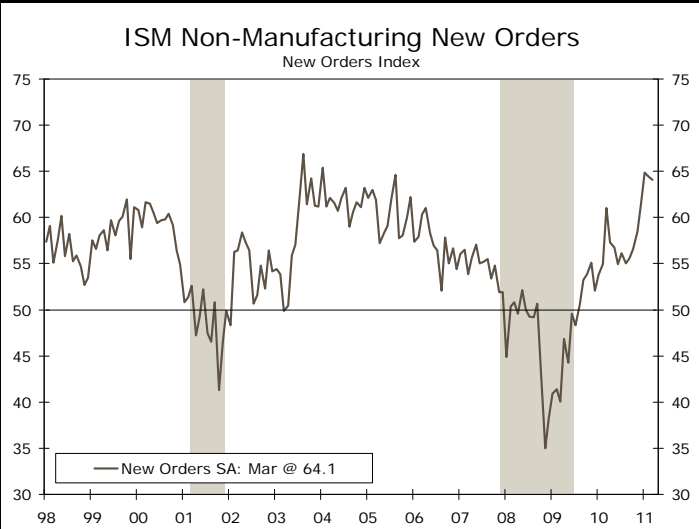
The ISM non-manufacturing index dipped to 57.3 in March. While this represents a drop in service sector business sentiment from 59.7 in February, the present level is still consistent with expansion.

Potential Quake-Related Supply Disruptions

- The release noted that respondents expressed concern about the Japan earthquake and potential supply chain disruptions.
- The largest drag on the headline non-manufacturing index was a 7.2 percentage point drop in the business activity index. While the decline here signals slower growth, the details are more encouraging. Fifteen of 18 industries, including real estate, reported continued growth.

Orders Still Strong, Pricing Pressures Still a Concern

- The new orders component shed 0.3 percentage points in March. Still, at the present level of 64.1, this measure of orders activity remains near its cycle high of 64.9 reached in January. Export orders increased for the second straight month to reach a level of 59.0—just shy of the 59.5 cycle high reached in November.
- Respondents voiced continued concern about rising input prices, as evidenced by the still-high level for prices paid components.



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

Wells Fargo Securities, LLC Economics Group

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