



**Economics Group**

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**ISM Non-Manufacturing Survey Portends Languid Recovery**

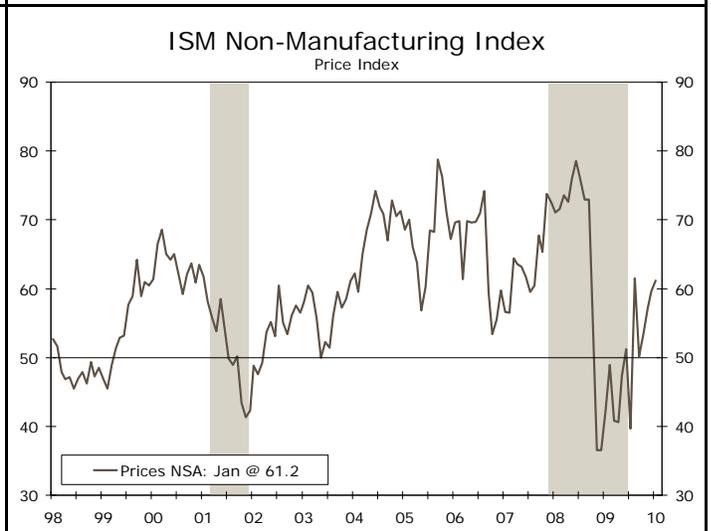
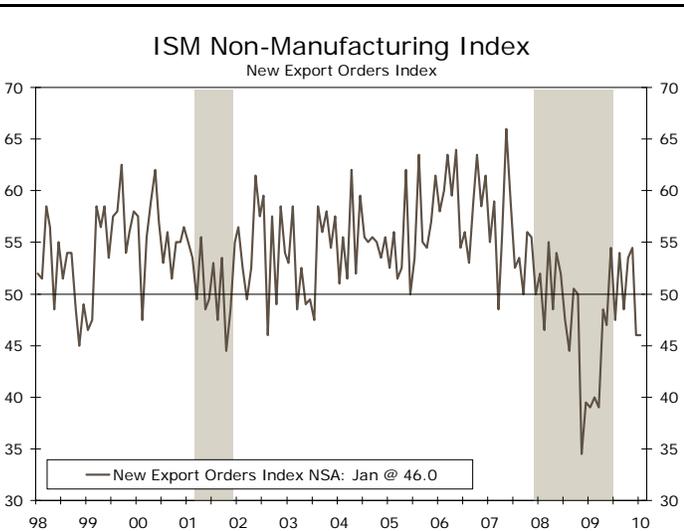
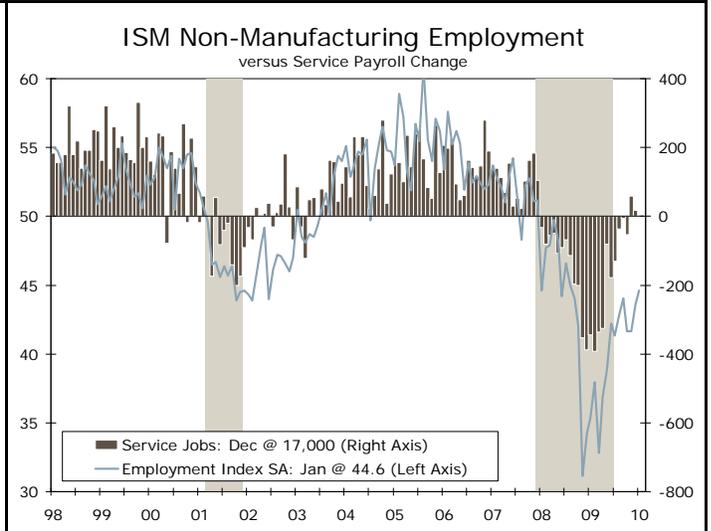
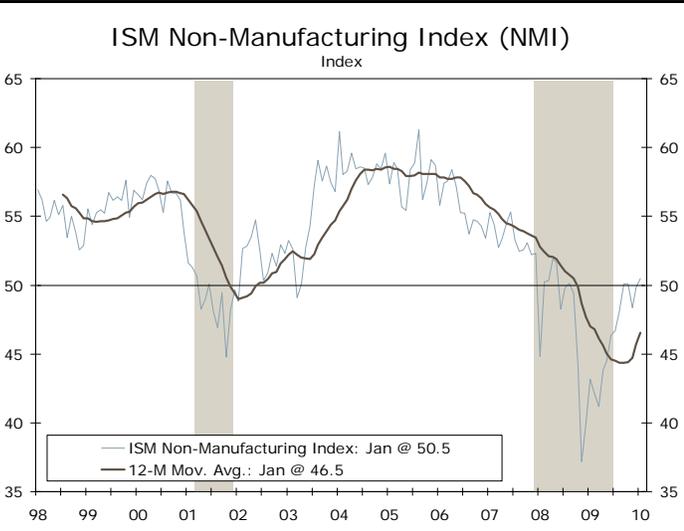
*A reading of 50.5, just above the breakeven, shows that the service sector expanded slightly in January. The index has hovered near the breakeven for about five months, and has not seen sustained gains since summer.*

**Hesitant Recovery Remains the Outlook for Services**

- The composite index of the service sector signaled expansion following two months of slight contraction, a slow move in the right direction.
- Orders posted solid growth, but export orders continued to contract. The backlog of orders decreased as well. This is likely an indication that the recovery will continue, but will lack vigor.

**Job Growth Lags but Prices on the Rise**

- The employment index improved slightly but remains firmly in contraction territory. However, nonfarm payrolls have been outperforming relative to the ISM non-manufacturing data. This will likely be repeated in Friday's payrolls report.
- The prices paid index increased to 61.2, the fourth consecutive gain. Firms cited price pressure stemming from increasing fuel costs, medical and pharmaceutical products and produce.



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