

Economics Group

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ISM Non-Manufacturing Roughly In Line with Expectations

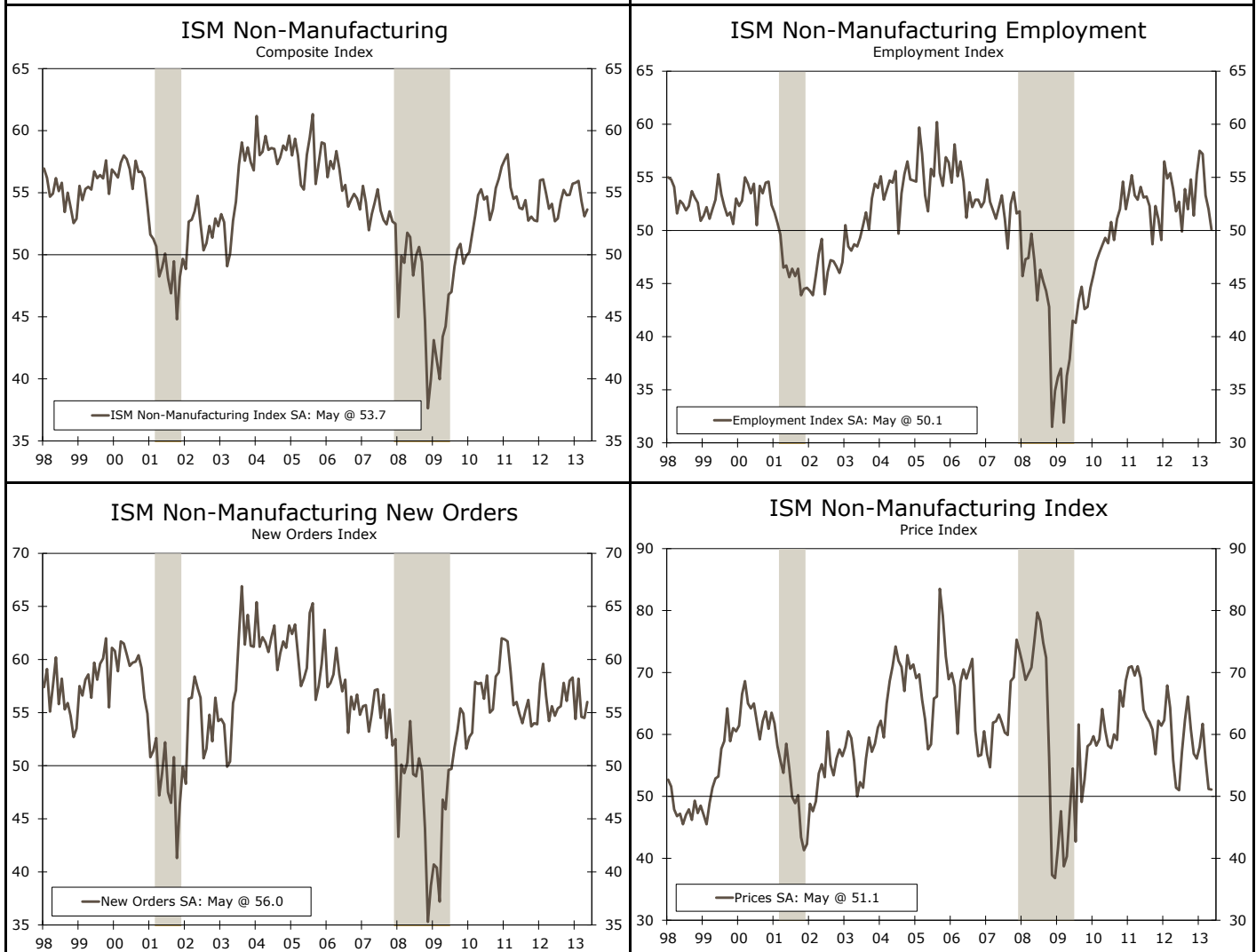
The ISM non-manufacturing index inched slightly higher in May, posting a reading of 53.7. However, the employment component fell 1.9 percentage points to 50.1, suggesting a weaker jobs report.

Service Sector Activity Continues to Expand

- With 13 industries reporting growth in May, the service sector continues to reflect modest improvement. A bit of good news in the report was the solid increase in the forward-looking new orders component, which rose 1.5 percentage points to 56. Another silver lining in the report was the trade component, which showed exports outpaced imports. Prices paid remained roughly unchanged on the month.

Employment Component Shows Weakness

- The employment component dipped to 50.1 in May, which is the lowest reading since September 2009. With the employment component barely in expansion territory, the report suggests a clear downward bias to nonfarm payrolls to be released on Friday. An earlier released ADP report, which came in below consensus, also showed weakness as manufacturing jobs fell for the second consecutive month.



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

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