

## Economics Group

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# ISM Non-Manufacturing Weakens on Plunge in Hiring

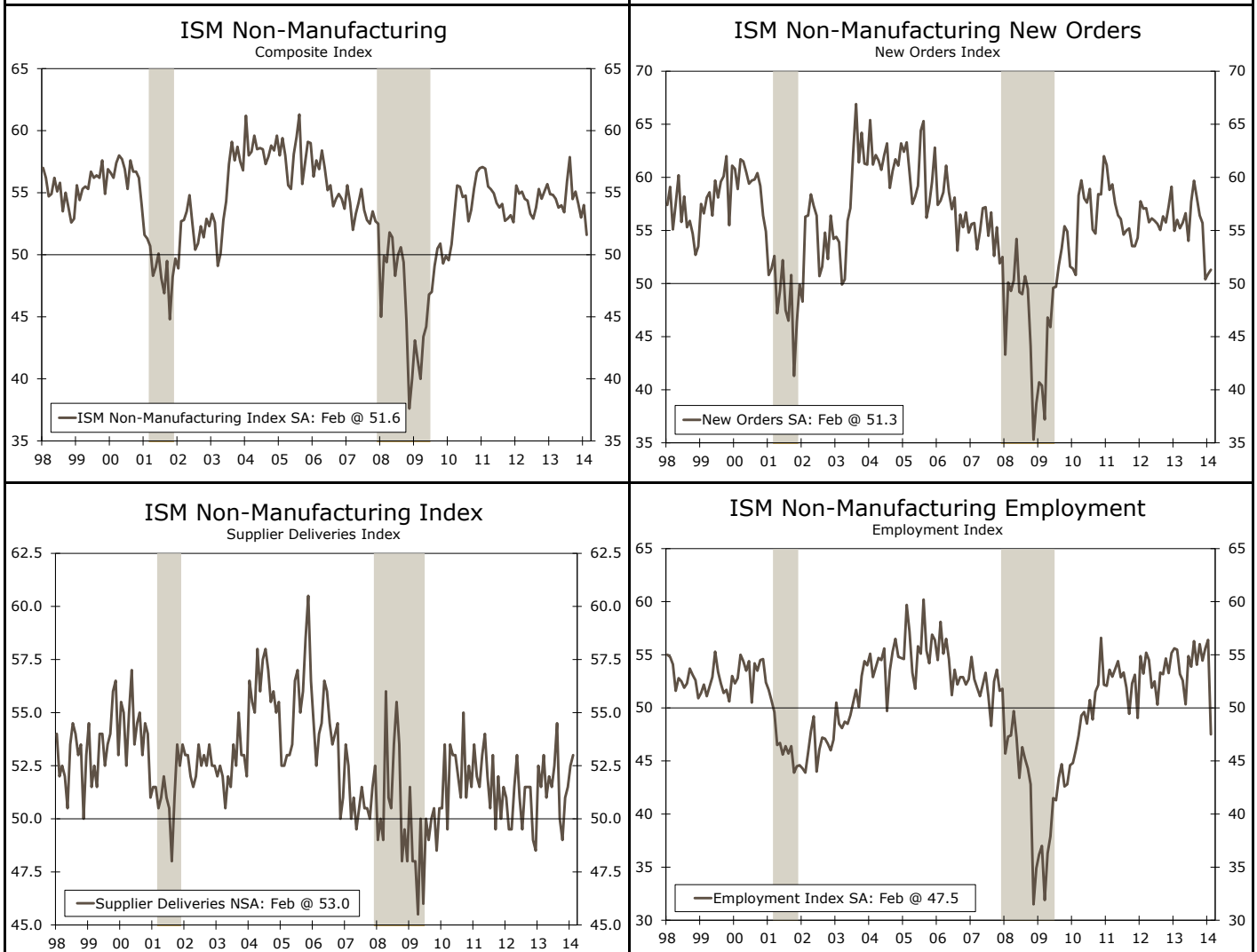
*The ISM non-manufacturing index fell to 51.6 in February, its weakest print since early 2010. While current activity slowed only modestly, hiring plunged and this raises concerns over the pace of job growth.*

### Is There More to the Slowdown than Harsh Weather?

- The ISM nonmanufacturing index fell in February, with most components deteriorating. The index had seemed relatively impervious to the harsh weather plaguing other indicators of the economy. Weather may be partially to blame, indicated by supplier delivery times increasing, but export orders contracted for the second straight month. New orders bounced back a bit, but have slowed significantly since November.

### Plummeting Employment Index Raises Eyebrows

- The employment index fell to 47.5, the first contraction in more than two years. The print suggests considerable downside risk to Friday's employment report, particularly following today's weaker-than-expected ADP report. However, in recent months, the hiring index has decoupled somewhat from the trend in nonfarm payrolls. With other labor indicators still improving, we continue to look for a moderate gain in hiring in February.



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

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