

Economics Group

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ISM Non-Manufacturing: More Moderate Growth in May

The ISM non-manufacturing index edged back to 55.7 in May. Growth in current activity, new orders and employment moderated over the month, but remain at respectable levels. Price pressures are picking up.

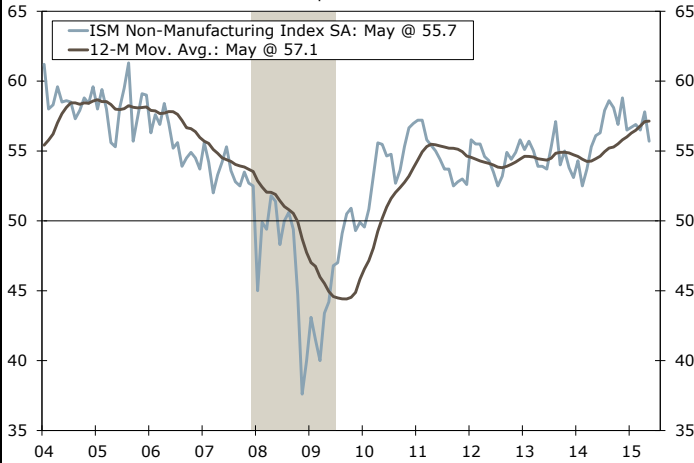
Moderation to Still-Healthy Levels

- Activity outside the manufacturing sector increased at a slightly slower pace in May, with the index falling 2.1 points to 55.7.
- Growth in current activity and new orders slowed over the month, but at 59.5 and 57.9, respectively, remain at healthy levels. Backlogs of orders, however, contracted in May.
- Inflation pressures are firming, with the prices paid component rising to 55.9, its highest mark since August.

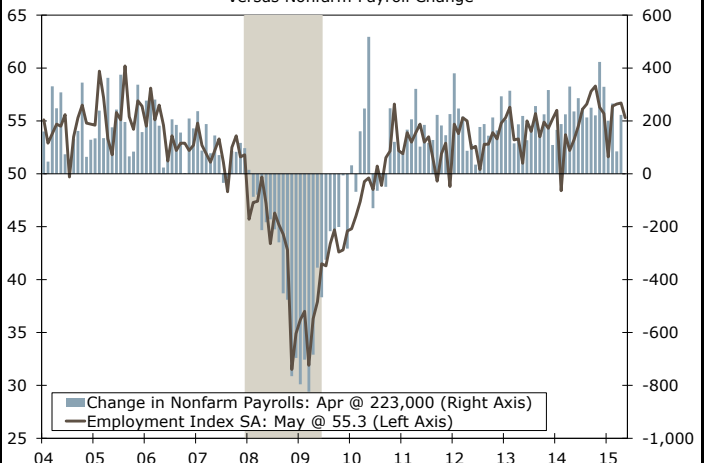
Hiring Still Looks Solid

- The employment index fell 1.4 points to 55.3. At face value, this would imply a softening in payroll growth, but with the manufacturing employment index rising, jobless claims hovering near 15-year lows, and consumers' views of job availability improving, we look for job gains of around 216,000 on Friday.
- On an economy-weighted basis, the ISM indices continue to point to growth continuing at a decent clip.

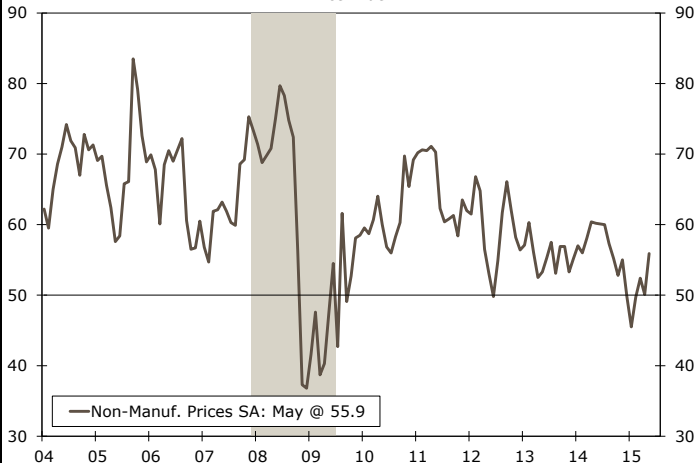
ISM Non-Manufacturing Composite Index



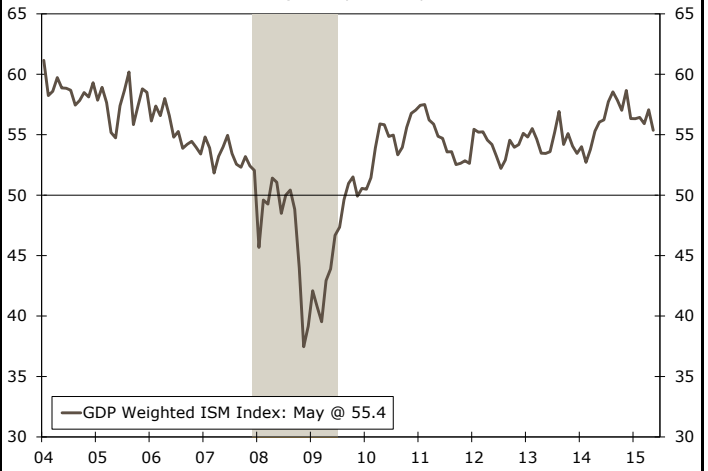
ISM Non-Manufacturing Employment Versus Nonfarm Payroll Change



ISM Non-Manufacturing Prices Price Index



ISM Manufacturing & Non-Manufacturing Composite Weighted by GDP Output



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