



# Economics Group

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## ISM: Service Sector Expansion Is Regaining Momentum

*After three straight months of signaling a slower pace of expansion, the ISM non-manufacturing index improved to 54.5 in March. The prices component jumped 3.6 points but still remains below 50.*

### Better Signal for Jobs

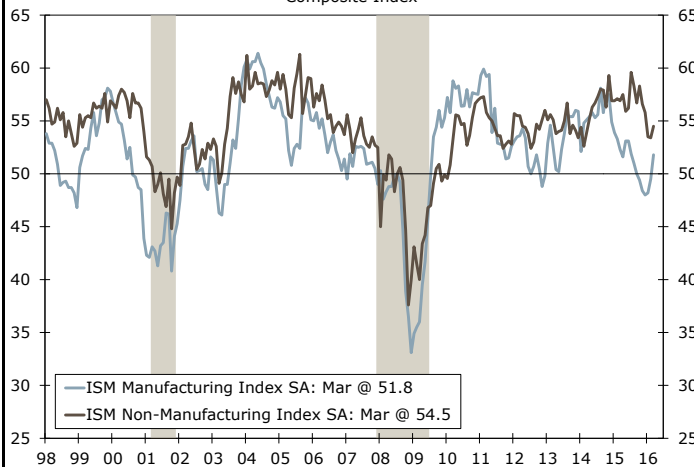
- For the first time in six months, both the ISM manufacturing index and the non-manufacturing index are in expansion territory (above 50).
- In the prior month (Feb), the employment component of the service-sector ISM slipped over to the “other side of the tracks”, which raised worries about the sustainability of job growth. In March, the employment component returned to expansion.

### Prices Still Falling, But Now at a Slower Rate

- The prices component jumped 3.6 points in the month to 49.1. This signals a slower pace of decline in service prices.
- This is a significant development because over the past three years, services inflation has been consistently outpacing goods prices. In fact, for much of the past two years, goods prices have been falling. A return to 50 or higher for the prices component would be a step in the right direction toward the Fed’s target.

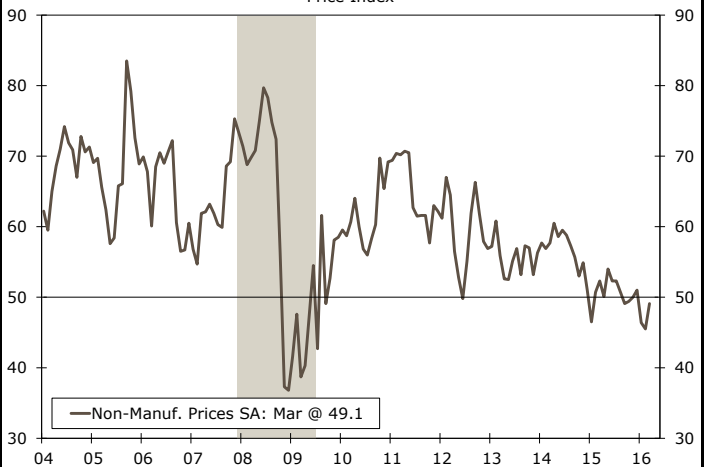
ISM Manufacturing & Non-Manufacturing

Composite Index



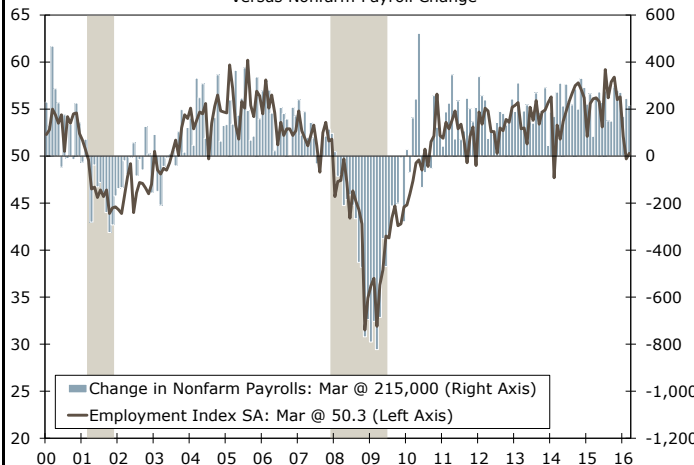
ISM Non-Manufacturing Prices

Price Index



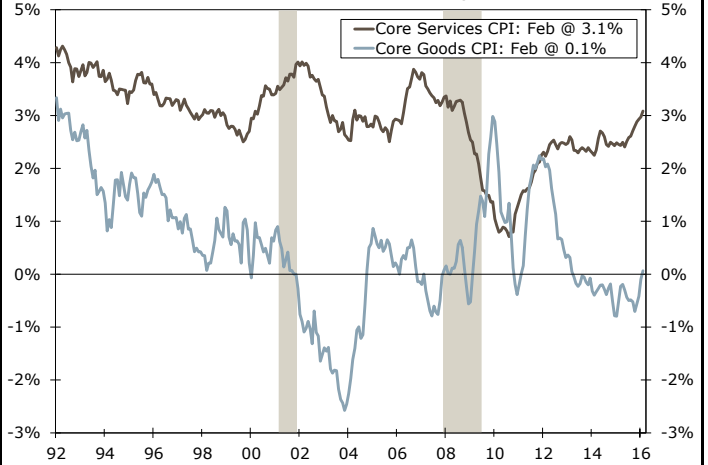
ISM Non-Manufacturing Employment

Versus Nonfarm Payroll Change



U.S. "Core" CPI - Services vs. Goods

Year-over-Year Percent Change



Source: U.S. Department of Labor, Institute for Supply Management and Wells Fargo Securities, LLC

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