

# Non-manufacturing ISM Signals Recovery

The U.S. ISM non-manufacturing index climbed more than expected to 50.9 in September, its highest level since May 2008. The business activity index jumped nearly four points to 55.1, the second straight month of expansion, suggesting the economy is out of recession. Further, the fastest growth in new orders in nearly two years, coupled with some increase in the backlog, flags sustained economic expansion ahead. While the jobs index continues to show losses, the declines slowed somewhat, suggesting a possible upward revision to September payrolls. The two blemishes in the report were another setback in the number of industries reporting growth, to five (out of 18) from six in August and seven in July, and continued cautious comments about the economic climate. Construction and retail trade were among the growth industries, with the former benefiting from an upturn in housing markets and the latter providing some hope that underlying consumer spending is also starting to revive.

Prices paid for materials surprisingly fell in the month, continuing a see-saw pattern. Outside of oil, material costs aren't a big problem.

(per cent reporting)	Sep	Aug	Jul	09q3	09q2	Sep 08
<b>Non-Mfg ISM</b>	50.9	48.4	46.4	48.6	44.9	50.0
<b>Business Activity</b>	55.1	51.3	46.1	50.8	45.8	51.5
<b>Employment</b>	44.3	43.5	41.5	43.1	39.8	44.2
<b>New Orders</b>	54.2	49.9	48.1	50.7	46.7	50.6
<b>Prices Paid</b>	48.8	63.1	41.3	51.1	46.9	70.6
<b>Backlog of Orders *</b>	51.5	41.0	42.0	44.8	43.3	46.5
<b>Supplier Deliveries *</b>	50.0	49.0	50.0	49.7	47.2	53.5
<b>New Export Orders *</b>	48.5	54.0	47.5	50.0	50.0	50.5

\* not seasonally adjusted

**The Bottom Line:** The report takes some of the sting out of recent setbacks in employment and auto sales, and suggests a modest recovery is underway.

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