Non-Manufacturing Sector Extends Recent Improvement

The ISM non-manufacturing index improved for the second straight month in January. Through the monthly volatility, the headline index remains consistent with moderate expansion in economic growth.

Solid Start to the Year
- Shrugging off the ongoing softness in the manufacturing sector, the ISM non-manufacturing index increased to a five-month high as respondents remained generally positive about business conditions and the overall economy. The breadth of improvement was broad-based with 12 of 18 industries reporting growth on the month. The improving ISM performance is consistent with other measures of non-manufacturing activity.

Production & Orders Rise, Employment Eases
- The business activity index has shown marked improvement since hitting its ten-year low in November 2019. The forward-looking new orders index also firmed, suggesting momentum remains positive as firms begin to evaluate any potential business impact from the coronavirus.
- Respondents continued to express difficulty in finding workers, the employment index eased to a three-month low.

Source: Institute for Supply Management, Department of Labor, Federal Reserve Board, IHS Markit and Wells Fargo Securities