

U.S. Economic Flash

Services Sector Still Growing as Employment Rises

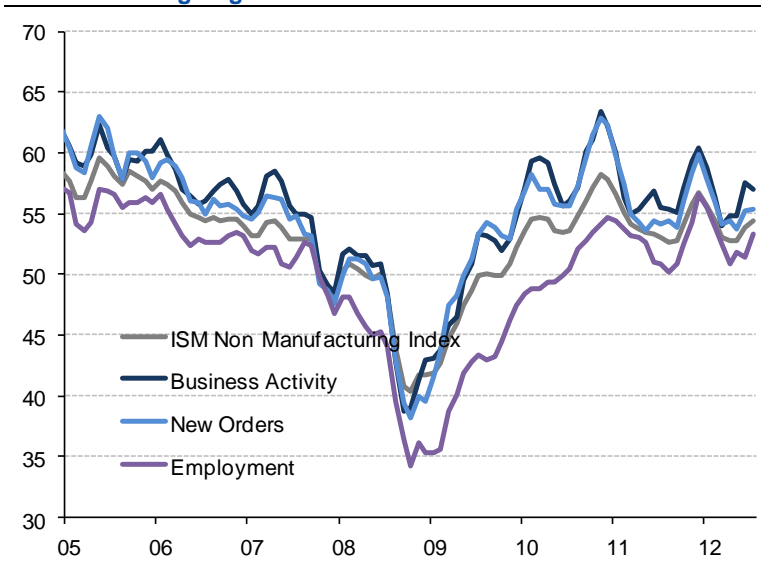
- **The ISM Non-manufacturing Index fell slightly to 54.2 in October on account of slower growth in business activity and new orders**
- **Optimism is still present for future activity in the service sector as evidenced by the employment index, which accelerated to 54.9 in October from 51.1 in the prior month**

The ISM Non-Manufacturing Index and its components for October point to a slight decrease in the pace of growth as the index fell to 54.2 from a six-month high of 55.1 in September. The deceleration in services activity was brought about by a noticeable decline in both the business activity and new orders indices. Although both are still above the 50 level which separates growth from contraction, their declines show some signs of weakening activity in October. Both declines are worrying as they tend to measure how the sector gauges its future capacities and how optimistic businesses can be about future conditions. However, the October figures also showed that employment increased to a 7-month high of 54.9 from 51.1 in September. This breathes some life into the report as employment has been on the rise since July but with the coming conditions unknown for a lot of industries, new hiring takes confidence in the economic situation and that seems to be what is being exhibited.

The difficulty for October will be figuring out where Hurricane Sandy measures in on November's figures and if there were any changes in October to be seen. Although the storm began to impact the East Coast as early as October 28th, the full effects both physically and financially will more than likely be quantified in the index for November. The ever present fiscal cliff and election will also weigh in as businesses remain hesitant about future endeavours given uncertain policies and impacts but overall remain resolute and growing at a moderate pace.

Chart 1

ISM Non-Manufacturing Index 3 Month Moving Avg



Source: ISM & Haver Data

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