

## Economics Group

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### ISM Non-Manufacturing Rebounded Strongly in September

*The ISM non-manufacturing index jumped to nearly a one-year high of 57.1 in September after indicating growth slowed sharply in August. Hiring surged and suggests another strong print for payrolls on Friday.*

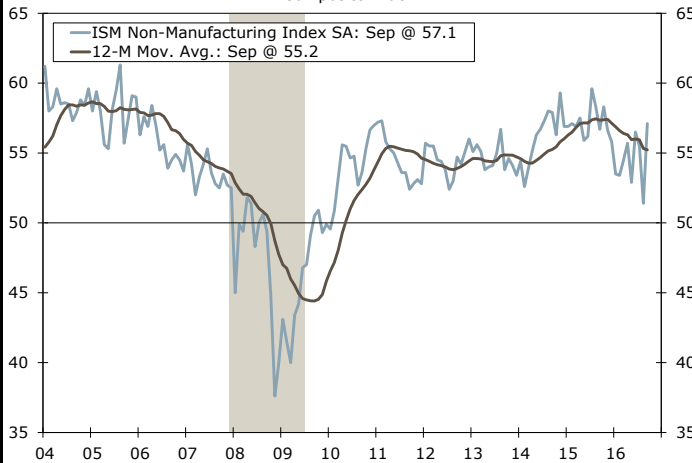
#### August Slowdown Now Looks Like a Blip

- The sharp decline in the August ISM non-manufacturing index was more than reversed in September, with the index jumping to an 11-month high of 57.1.
- Nearly every sub-component posted an increase over the month. Business activity and new orders each rose more than 8 points and are back around 60, while backlogs rose by the most since March. On the downside, inventories still look too high.

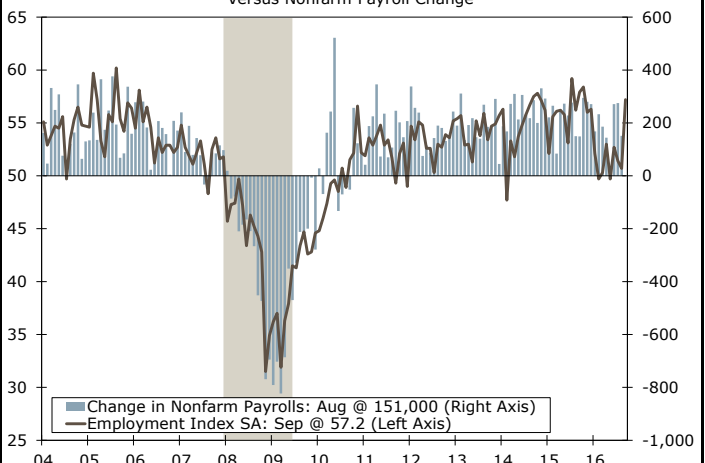
#### Upside Risk to Friday's Payroll Report

- The employment component jumped 6.5 points to 57.2 and suggests upside risk to our call for nonfarm payrolls, reported Friday, to have risen by 160,000 in September.
- The rebound, along with a modest pickup in the manufacturing index, should allay concerns that growth was beginning to falter heading into the end of the year. The weighted average of the two indices now sits at the highest level in nearly a year.

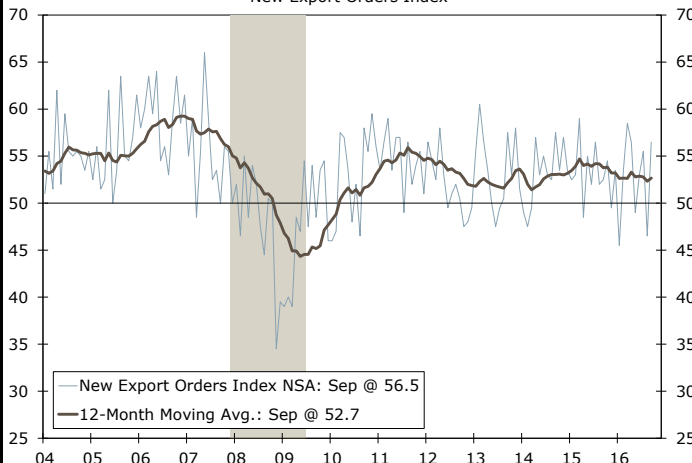
ISM Non-Manufacturing  
Composite Index



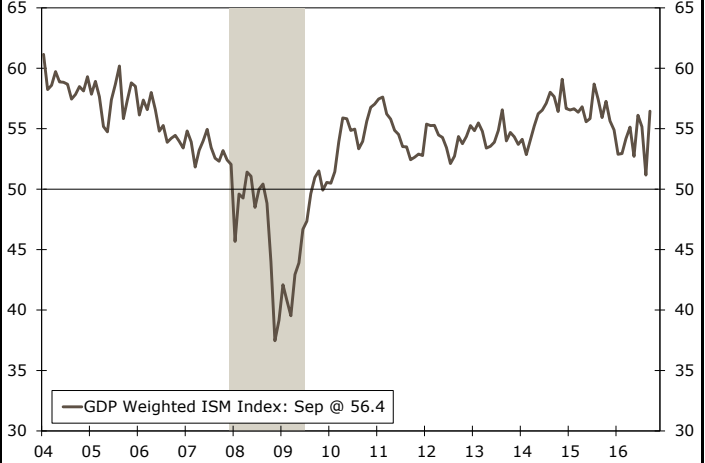
ISM Non-Manufacturing Employment  
Versus Nonfarm Payroll Change



ISM Non-Manufacturing Index  
New Export Orders Index



ISM Manufacturing & Non-Manufacturing Composite  
Weighted by GDP Output



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

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