



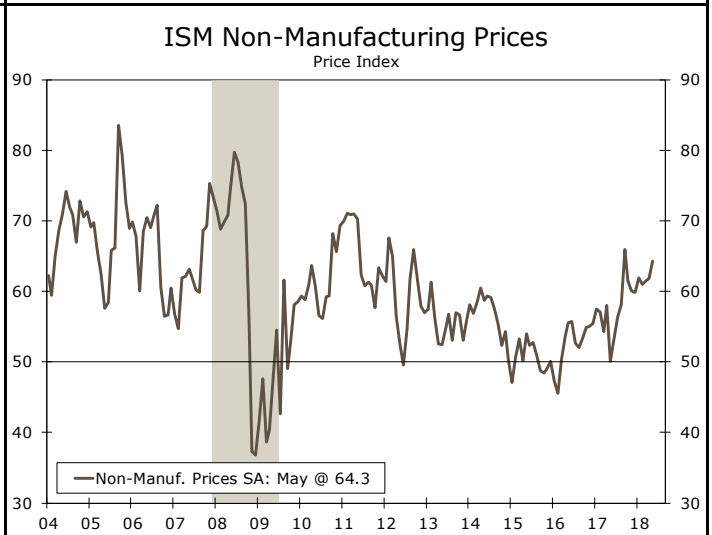
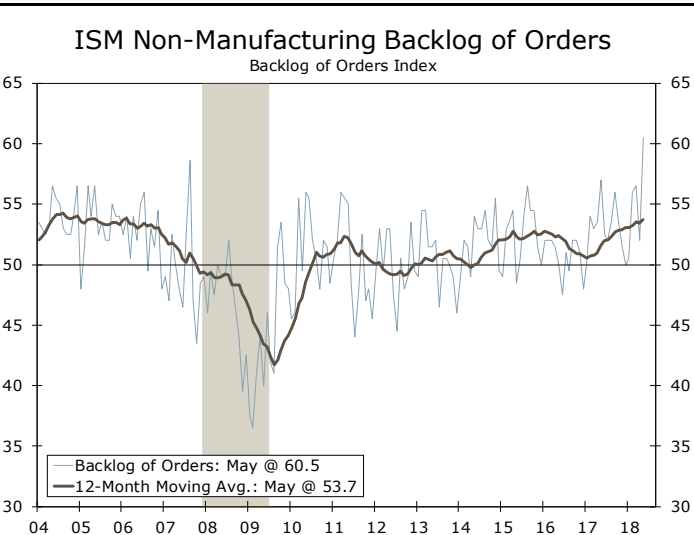
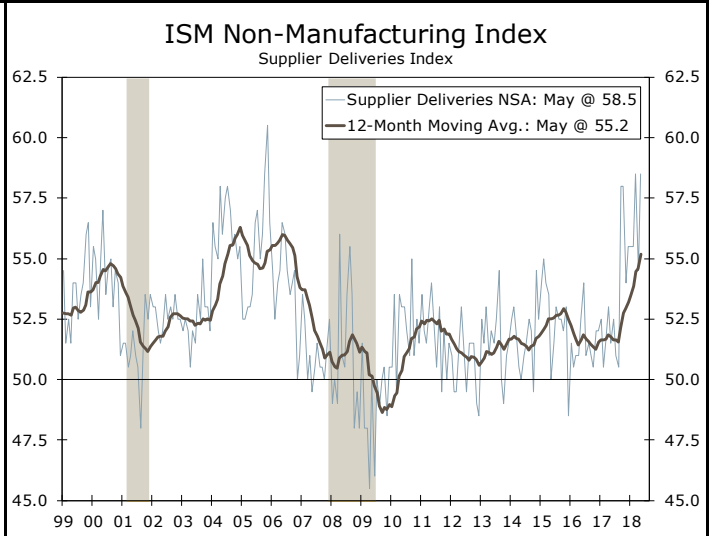
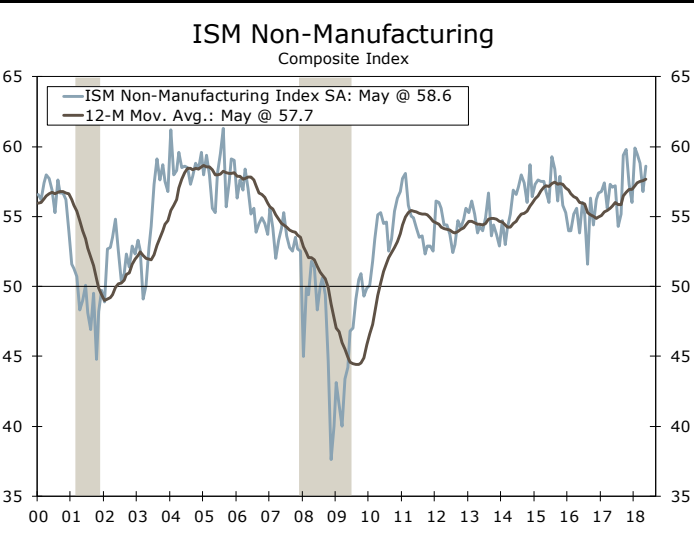
# Economics Group

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## ISM Non-Manufacturing: Capacity Getting Tight

*The ISM non-manufacturing index rebounded nearly two points in May to 58.6. Current activity and new orders picked up, putting further strains on rapidly tightening capacity. Price pressures continue to mount.*

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| <p><b>Backlogs Rising, Delivery Times Lengthening</b></p> <ul style="list-style-type: none"> <li>Broad economic activity picked up in May according to the ISM non-manufacturing survey. The composite index nearly rebounded back to its March level, coming in at 58.6.</li> <li>Capacity looks increasingly constrained. Backlogs are rising at the fastest pace in the non-manufacturing survey's 20+ year history, while supplier delivery times are increasing at the strongest clip of this expansion.</li> </ul> | <p><b>Price Concerns Intensifying</b></p> <ul style="list-style-type: none"> <li>The prices paid component jumped to 64.3. We expect price pressures to remain a concern given the lengthening in supplier delivery times and growing backlogs.</li> <li>Consistent with the May increase in nonfarm payrolls, the employment index indicated hiring picked up in May. The series rose to 54.1, but remains below its six-month average and indicates that the overall index has slowed since early this year.</li> </ul> |
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Source: Institute for Supply Management and Wells Fargo Securities

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