



Economics Group

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Tariff Worries Spreading to the Service Sector

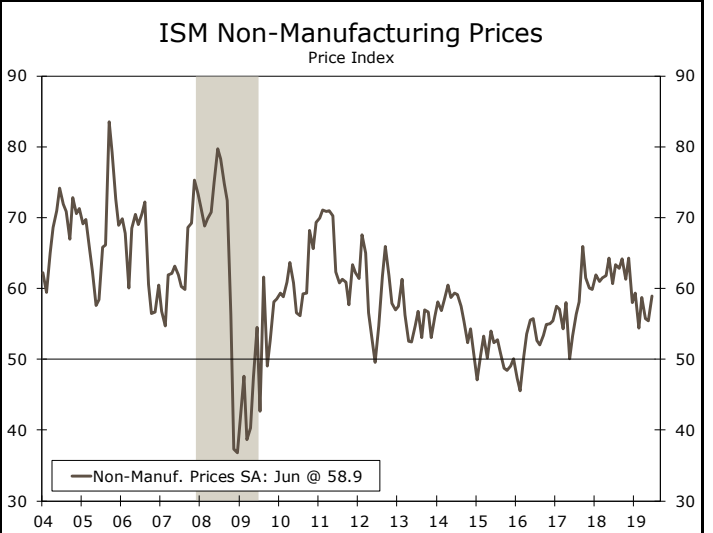
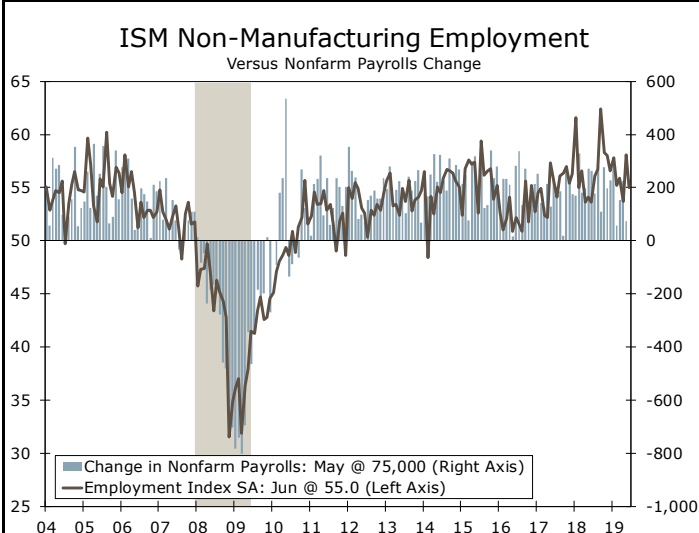
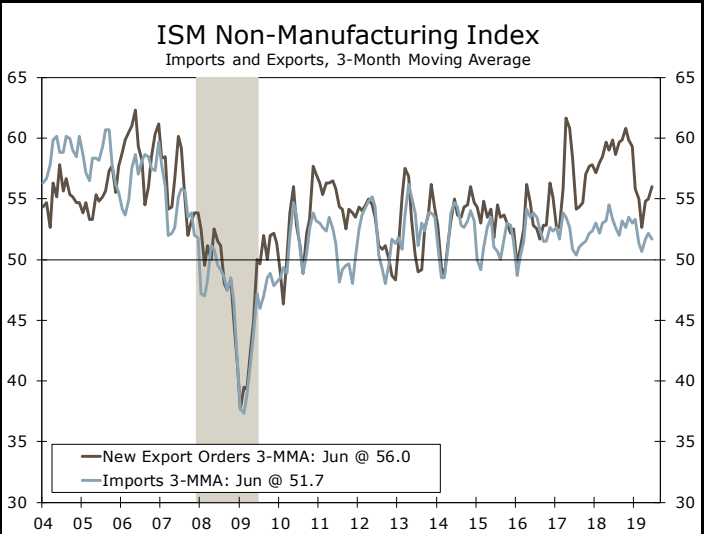
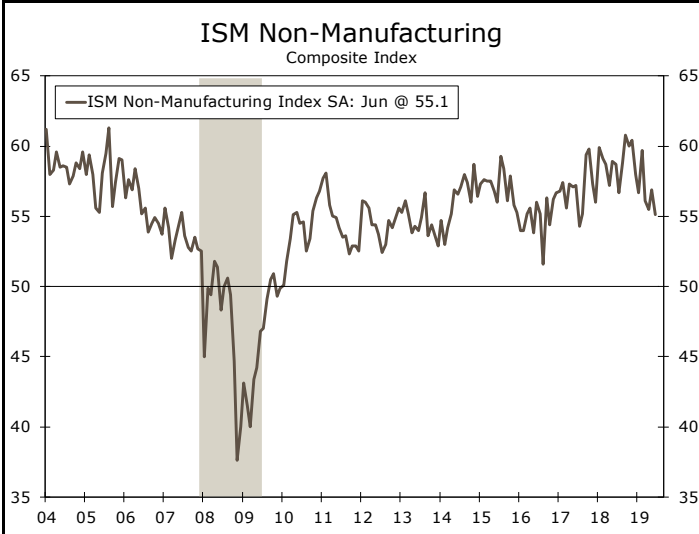
ISM non-manufacturing fell to the slowest pace since July 2017. Tariffs are now weighing on service-sector sentiment too and contributing to higher input costs for businesses.

Moderation in Expansion, Downside Risk for Jobs

- The ISM non-manufacturing index fell to 55.1 and while that is still in expansion territory, it marks the slowest pace of growth in the service sector since July 2017.
- The employment component slipped 3.1 points to 55.0, signaling the slowest pace of hiring since June 2018, and the number of industries hiring fell to just 50%. We have revised down our call for Friday's jobs report to +165K from +175K previously.

Tariffs Weighing on Sentiment

- Although the imports and exports indexes were both unchanged, there is evidence in today's report that worries about the trade war are spreading. Tariffs were singled out by name in the comments for a number of industries including construction, retail trade, health care and management companies & support services.
- Management companies & support services cited price increases from other industries "claiming tariffs" as justification.



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

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