

THE SERVICE SECTOR IS GROWING AT A FAST PACE AND BOOSTING JOBS



The services sector accounts for about two-thirds of U.S. economic activity, and it is picking up pace faster than ever. The Institute of Supply Management reported that its services index rose to 57.3 defying the predictions of economists that the index would drop to 56.1. This is the highest index since February 2011, and an index reading above 50 indicates expansion and growth of the services sector. Growth of the service sector coincides with the strongest phase of job growth in years. Economists expect close to 210,000 jobs to have been added last month alone. The ISM data was backed by government data that claimed that only the services sector had added 176,000 jobs in January, a number much higher than other sectors like manufacturing. Anthony Nieves the chair of ISM survey committee said that members comments "reflect a growing level of optimism about business conditions and the overall economy." Tom Porcelli, chief U.S. economist at RBC Capital Markets, New York, told the media that "At this level of ISM, this is not really changing our view that you're still looking at around a 2.0 percent year in terms of GDP, but it is holding up, and this is certainly what you want to see." At the same time, data from separate reports showed a decline in new orders for factory goods. According to the ISM orders in the service sector are improving. Rental, leasing, and real estate sectors including housing is growing. The employment index dropped to a bearable 55.7 from 57.4. Economists expect that if the weather holds Friday's Labor Department survey would find consistent rise in jobs. However, the ISM index also found that companies could start being affected by rising costs. Anthony Nieves, chair of the ISM non-manufacturing business survey committee said that "The question is how quickly those higher fuel costs can be passed on to customers. Right now, suppliers are trying not to pass the higher prices on right away because there's not a lot of pricing power right now." However compared to other sectors, service companies grew fastest in February.

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