

US services at five-month high on orders

Rebound in business optimism may waver as coronavirus epidemic hits

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Firmer business activity and orders helped lift a gauge of U.S. service providers to a five-month high in January, indicating steady growth in the broader economy at risk of wavering amid mounting concerns about the coronavirus.

The Institute for Supply Management's non-manufacturing index climbed to 55.5, exceeding the median projection in a Bloomberg survey of economists, from 54.9 a month earlier, according to data issued Wednesday. A measure of business activity climbed to an almost one-year high. The subindex, which parallels the group's index of factory production, has jumped 8.6 points in the past two months, the biggest gain in 11 years.

The improvement in services activity and a rebound in the ISM's manufacturing gauge show business optimism was building just as the coronavirus epidemic began to exact a bigger toll — both in terms of the growing number of lives lost and economic disruption. While Chinese health officials are racing to contain the outbreak that has claimed hundreds of lives and infected tens of thousands, the virus has forced the closure of businesses in China, reduced air traffic and affected U.S. supply chains.

“Do I expect activity to go down or this to negatively impact next month's report? Not in totality, but I do think that we'll see a bit of an impact in various areas,” Anthony Nieves, chair of the group's non-manufacturing business survey committee, said on a call with reporters. There is “steady, incremental growth that I feel is sustainable over the long haul.”

Twelve non-manufacturing industries reported growth in January, led by agriculture, management and support, and health care. Six, including transportation and wholesale trade, indicated declining activity.