

October ISM Non-Manufacturing Index

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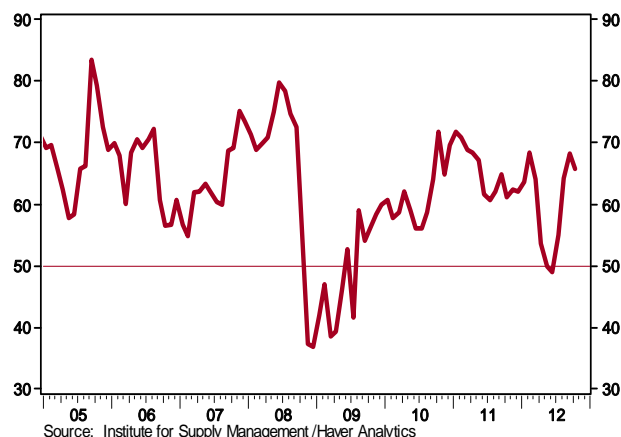
- The ISM non-manufacturing index declined to 54.2 in October, coming in below the consensus expected 54.5. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The direction of the key sub-indexes were mixed in October, but all were above 50. The business activity index fell to 55.4 from 59.9 and the new orders index slipped to 54.8 from 57.7. The employment index rose to 54.9 in October from 51.1 while the supplier deliveries index remained unchanged at 51.5.
- The prices paid index declined to 65.6 in October from 68.1 in September.

Implications: More plow horse growth reported today in the service sector as the ISM services index grew for the 34th consecutive month coming in at 54.2. Although this was slightly lower than the consensus expected in October, the index looks to be picking up some steam. Besides last month, this is the best reading on the ISM non-manufacturing index since March. The sub-index for business activity – which has a stronger correlation with economic growth than the overall index – slipped to 55.4, but still remains at a healthy level. The real bright spot in today’s report was the employment index which rose to 54.9, the highest level since March and is consistent with the modest growth we saw in payrolls in October. On the inflation front, the prices paid index declined to 65.6 but remains elevated, and given the loose stance of monetary policy, should continue to move higher over the coming years.

ISM Nonmanufacturing: NMI Composite Index
 SA, 50+=Increasing



ISM: Nonmfg: Prices Index
 SA, 50+ = Econ Expand



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Oct-12	Sep-12	Aug-12	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	54.2	55.1	53.7	54.3	53.6	52.6
Business Activity	55.4	59.9	55.6	57.0	55.9	53.3
New Orders	54.8	57.7	53.7	55.4	54.9	52.7
Employment	54.9	51.1	53.8	53.3	52.0	52.3
Supplier Deliveries (NSA)	51.5	51.5	51.5	51.5	51.3	52.0
Prices	65.6	68.1	64.3	66.0	58.6	61.0

Source: Institute for Supply Management