

# October ISM Non-Manufacturing Index

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- The ISM non-manufacturing index rose to 55.4 in October, coming in well above the consensus expected decline to 54.0. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The key sub-indexes were mixed in October, but most remain above 50. The business activity index rose to 59.7 from 55.1 and the employment index grew to 56.2 from 52.7. The new orders index slipped to 56.8 in October from 59.6 while the supplier deliveries index declined to 49.0 from 50.0.
- The prices paid index declined to 56.1 in October from 57.2 in September.

**Implications:** Well, despite all the grumbling out of Washington and from pundits claiming that the partial government shutdown would have significant effects on the economy, the private sector shrugged it off and continued to plow along. The ISM services report came in at a very healthy 55.4 in October, easily beating consensus expectations. The business activity index – which has a stronger correlation with economic growth than the overall index – boomed to 59.7. The employment index also showed good improvement rising to 56.2 in October. The most disappointing part of the report was that the new orders index pulled back, but even with the decline it remains at a robust 56.8 in October from 59.6 in September. On the inflation front, the prices paid index declined to 56.1 in October from 57.2 in September. Still no sign of inflation, but given loose monetary policy, we expect this measure to move upward over the coming year. The Federal Reserve has been far too easy for far too long. In other recent news, cars and light trucks were sold at a 15.2 million annual rate in October, below consensus expectations and down 0.3% from September. Sales are up 5.8% from a year ago, but sales in October 2012 were depressed along the east coast due to Superstorm Sandy, so a 5.8% gain from last year is not impressive. Looks like consumers may be transitioning away from gains in auto sales and more toward appliances and furniture. Auto sales should still trend upward in the next year or so, but not as quickly as in the past few years.

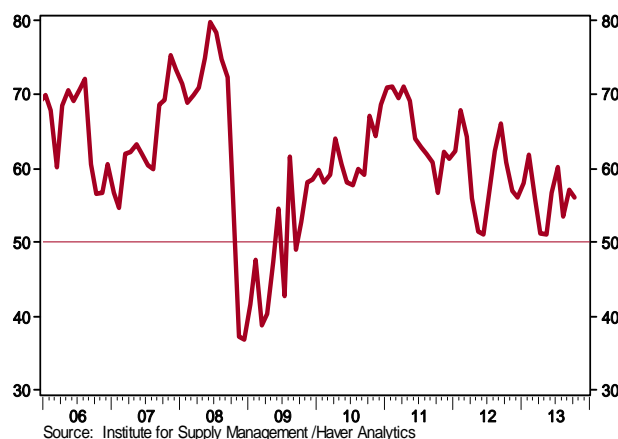
ISM Nonmanufacturing: NMI Composite Index

SA, 50+=Increasing



ISM: Nonmfg: Prices Index

SA, 50+ = Econ Expand



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Oct-13	Sep-13	Aug-13	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Composite Index</b>	55.4	54.4	58.6	56.1	55.2	54.8
<i>Business Activity</i>	59.7	55.1	62.2	59.0	57.6	56.8
<i>New Orders</i>	56.8	59.6	60.5	59.0	57.3	56.1
<i>Employment</i>	56.2	52.7	57.0	55.3	54.1	54.8
<i>Supplier Deliveries (NSA)</i>	49.0	50.0	54.5	51.2	51.6	51.5
<b>Prices</b>	56.1	57.2	53.4	55.6	55.8	60.8

Source: Institute for Supply Management