

January ISM Non-Manufacturing Index

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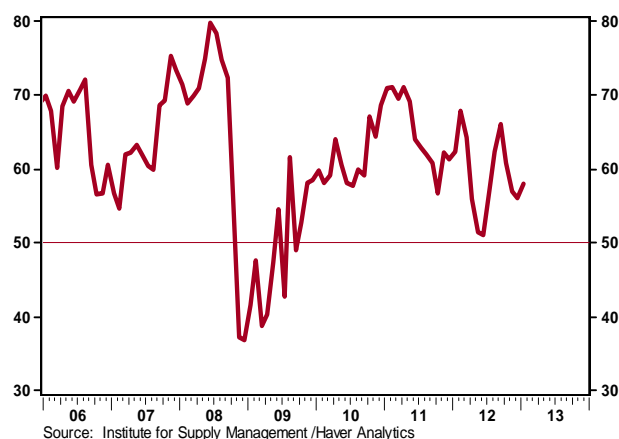
- The ISM non-manufacturing index declined to 55.2 in January, coming in slightly above the consensus expected 55.0. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The direction of the key sub-indexes was mixed in January, but all remain above 50. The new orders index declined to 54.4 from 58.3 and the business activity index fell to 56.4 from 60.8. The employment index rose to 57.5 in January from 55.3 while the supplier deliveries index increased to 52.5 from 48.5.
- The prices paid index rose to 58.0 in January from 56.1 in December.

Implications: A very solid, plow horse-like, report on the service sector today as the ISM non-manufacturing index showed expansion for the 37th consecutive month, slightly beating consensus expectations, coming in at 55.2. Although the new orders sub-index and the business activity sub-index – which has a stronger correlation with economic growth than the overall index – declined in January, they still remain at healthy levels. The biggest surprise from today’s report was that the employment sub-index surged again in January coming in at 57.5, the best reading since February 2006. This is a good sign for the economy moving forward. On the inflation front, the prices paid index rose to 58.0 and remains elevated. Given the loose stance of monetary policy, inflation should continue to move higher over the coming years. Today’s report, along with other data we have received this week, show the economy is doing just fine and will continue to plow ahead through 2013.

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>	Jan-13	Dec-12	Nov-12	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Composite Index	55.2	55.7	54.8	55.2	55.0	56.0
Business Activity	56.4	60.8	60.9	59.4	58.5	58.7
New Orders	54.4	58.3	58.0	56.9	56.7	57.8
Employment	57.5	55.3	51.4	54.7	54.2	56.5
Supplier Deliveries (NSA)	52.5	48.5	49.0	50.0	50.8	51.0
Prices	58.0	56.1	56.9	57.0	60.0	62.3

Source: Institute for Supply Management