

# November ISM Non-Manufacturing Index

Brian S. Wesbury – Chief Economist  
 Robert Stein, CFA – Dep. Chief Economist  
 Strider Elass – Economist

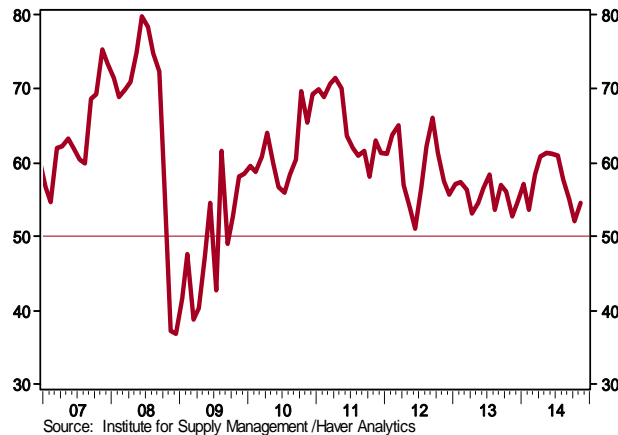
- The ISM non-manufacturing index increased to 59.3 in November, easily beating the consensus expected 57.5. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly higher in November and all stand above 50. The business activity index rose to 64.4 from 60.0 while the new orders index moved higher to 61.4 from 59.1. The supplier deliveries index jumped to 54.5 from 49.5 but the employment index dipped to 56.7 from 59.6.
- The prices paid index rose to 54.4 in November from 52.1 in October.

**Implications:** If the only way to measure the economy was with the ISM indices, it would look the Plow Horse economy is starting to trot. Earlier this week, the ISM manufacturing index came in at a better than expected, and very robust, 58.7 for November. This morning we got the news that the ISM services index jumped to 59.3 in November, beating the forecast from all 78 economic groups that made a prediction and coming in at the second highest reading in over nine years. The index has now been above 50 for 58 consecutive months (levels above 50 signal expansion; levels below 50 signal contraction.) The business activity index— which has a stronger correlation with economic growth than the overall index – rose 4.4 points in November to a hearty 64.4. The new orders index also ticked higher in November, suggesting production will continue to expand in the months ahead. The only downer was the employment index, which declined to 56.7 from 59.6 in October, but last month’s reading was the highest level seen since the start of the recovery and employment has shown steady growth over the past nine months. On the inflation front, the prices paid index rose to 54.4 in November from 52.1 in October – a surprise given the drop in oil prices. Perhaps this is a sign of more deeply rooted price pressures. In other news from yesterday, shoppers were crammed into car dealerships in late November. Auto sales soared last month, coming in at a 17.2 million annual rate, up 4.5% from October and 5.6% from a year ago. Plugging these figures into our models, it now looks like real consumer spending (goods and services combined) will be up at a 2.5% annual rate in Q4, which is consistent with our forecast of 2.5% real GDP growth for the current quarter. In other recent news, construction increased 1.1% in October (2.1% including revisions to prior months) and is up 3.3% from a year ago. The gain in October was led by government construction projects while single-family home building also rose. Commercial construction was roughly unchanged. As a result of the revisions to August and September, it now looks like real GDP grew at a 4.1% annual rate in Q3 versus the 3.9% rate the government reported a week ago.

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>	Nov-14	Oct-14	Sep-14	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Composite Index</b>	<b>59.3</b>	57.1	58.6	58.3	58.2	54.1
<b>Business Activity</b>	<b>64.4</b>	60.0	62.9	62.4	62.0	55.3
<b>New Orders</b>	<b>61.4</b>	59.1	61.0	60.5	61.9	55.7
<b>Employment</b>	<b>56.7</b>	59.6	58.5	58.3	57.1	54.5
<b>Supplier Deliveries (NSA)</b>	<b>54.5</b>	49.5	52.0	52.0	51.8	51.0
<b>Prices</b>	<b>54.4</b>	52.1	55.2	53.9	56.9	52.7

Source: Institute for Supply Management