

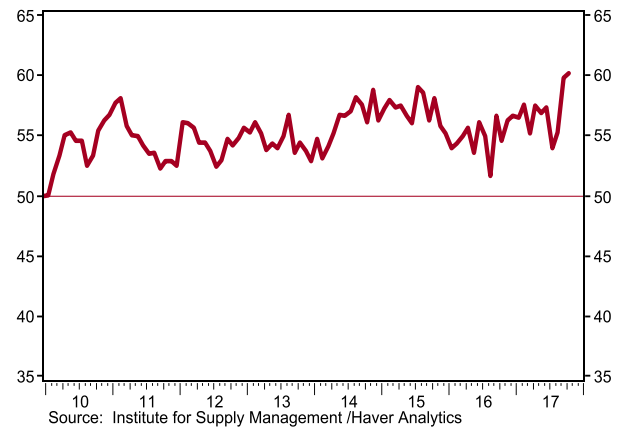
October ISM Non-Manufacturing Index

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- The ISM non-manufacturing index rose to 60.1 in October, beating the consensus expected 58.5. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly higher in October, and all stand well above 50, signaling expansion. The business activity index rose to 62.2 from 61.3 in September, while the employment index increased to 57.5 from 56.8. The supplier deliveries index was unchanged in October. The new orders index declined to 62.8 from 63.0.
- The prices paid index declined to 62.7 from 66.3 in September.

Implications: Service sector activity grew in October at the fastest pace since 2005, putting an exclamation point on what has been a week of solid economic data. Sixteen of eighteen industries reported growth (two reported contraction), while all major measures of activity stand comfortably in expansion territory. The most forward looking indices – new orders and business activity – both stand at very healthy levels above 60, signaling that activity should remain robust in the months ahead. The impacts of Hurricanes Harvey and Irma can still be felt across industries as respondents from the construction, retail trade, and real estate, rental & leasing fields credit storm impacts with boosting activity. But the largest impact can be seen in the pricing data. The prices paid index declined to a still high 62.7 in October, the second highest reading (behind just last month) in five years. Supply chains were impacted as well, keeping the supplier deliveries index elevated at 58.0, which means firms are having trouble keeping up with the strength in orders. The storm impacts on the data will subside in the coming months, but we expect the underlying trend of growth seen to-date in 2017 to remain and possibly accelerate. On the jobs front, the employment index increased to 57.5 from 56.8 in September. For more details on the employment rebound in October and commentary on this morning’s employment report, [click here](#). When viewed as a whole, today’s reading on the service sector shows healthy economic activity headed into the holiday season and a positive outlook for the remainder of 2017. And with tax reform looking increasingly likely, there are further tailwinds for both the service and manufacturing sectors that should carry over into 2018.

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



ISM Nonmanufacturing: Prices Index
 SA, 50+ = Economy Expanding



| Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i> | Oct-17 | Sep-17 | Aug-17 | 3-month <i>moving avg</i> | 6-month <i>moving avg</i> | Year-ago <i>level</i> |
|--|-------------|--------|--------|------------------------------|------------------------------|--------------------------|
| Composite Index | 60.1 | 59.8 | 55.3 | 58.4 | 57.2 | 54.6 |
| Business Activity | 62.2 | 61.3 | 57.5 | 60.3 | 59.7 | 58.1 |
| New Orders | 62.8 | 63.0 | 57.1 | 61.0 | 59.4 | 57.7 |
| Employment | 57.5 | 56.8 | 56.2 | 56.8 | 56.3 | 52.2 |
| Supplier Deliveries (NSA) | 58.0 | 58.0 | 50.5 | 55.5 | 53.6 | 50.5 |
| Prices | 62.7 | 66.3 | 57.9 | 62.3 | 57.3 | 55.8 |

Source: Institute for Supply Management