

NOVEMBER ISM NON-MANUFACTURING INDEX

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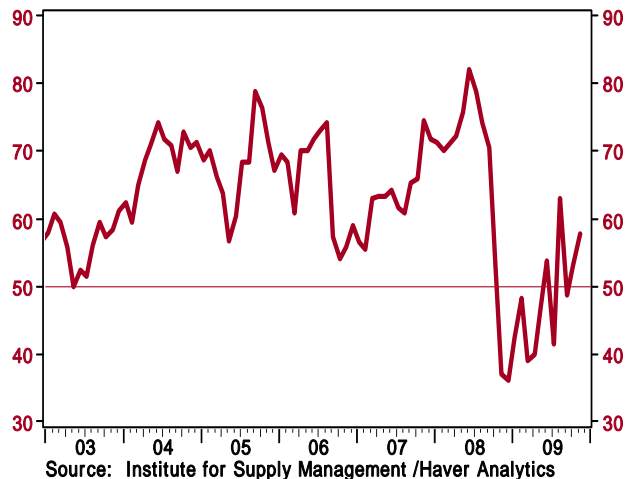
- The ISM Non-Manufacturing composite index declined to 48.7 in November from 50.6 in October. The consensus expected an increase to 51.5. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- Most of the major sub-indexes were down in November. The business activity index fell to 49.6 from 55.2, the new orders index fell to 55.1, and the supplier deliveries index fell to 48.5. The employment index rose to 41.6 from 41.1.
- The prices paid index increased to 57.8 in November from 53.0 in October.

Implications: The ISM Non-Manufacturing index disappointed by unexpectedly falling to 48.7 in November. Most of the sub-indexes were disappointing as well, with the exception of the employment index which, although still below 50, improved slightly. On the inflation front, the prices paid index increased to 57.8 in November from 53.0 in October, continuing the volatility of recent months. Given the amount of recent economic data that has been better than expected, this morning's report seems to be an outlier and inconsistent with nearly every other indicator. Furthermore, the services index is very sentiment oriented and often reflects emotions as opposed to real economic activity. For these reasons, we are extremely skeptical of this morning's poor number. In other news this morning, new claims for unemployment insurance fell 5,000 last week to 457,000, the lowest level since the collapse of Lehman Brothers in September 2008. Continuing claims increased 28,000 to 5.47 million, but the four-week average of continuing claims is the lowest in eight months. Two other reports released yesterday also brought better news on the labor market. The ADP employment report shows private-sector payrolls declined 169,000 in November, the eighth consecutive month of smaller job losses. Meanwhile, Challenger, Gray & Christmas, a Chicago-based job placement firm, says job cuts in November were down 72.3% versus last year.

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



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



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Nov-09	Oct-09	Sep-09	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	48.7	50.6	50.9	50.1	48.7	37.4
Business Activity	49.6	55.2	55.1	53.3	51.2	33.3
New Orders	55.1	55.6	54.2	55.0	51.9	35.6
Employment	41.6	41.1	44.3	42.3	42.6	31.1
Supplier Deliveries (NSA)	48.5	50.5	50.0	49.7	49.0	49.5
Prices	57.8	53.0	48.8	53.2	53.0	37.0

Source: Institute for Supply Management