

## September ISM Non-Manufacturing Index

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- The ISM non-manufacturing index increased to 55.1 in September, easily beating the consensus expected 53.4. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The direction of the key sub-indexes were mixed in September but all were above 50. The business activity index gained to 59.9 from 55.6 and the new orders index rose to 57.7 from 53.7. The employment index declined to 51.1 in September from 53.8 while the supplier deliveries index remained unchanged at 51.5.
- The prices paid index rose to 68.1 in September from 64.3 in August.

**Implications:** Solid news on the economy coming from multiple reports yesterday and today. The ISM services index came in at 55.1, higher than the consensus expected in September, signaling a combination of some acceleration in that sector and an abatement of negative sentiment regarding Europe. This is the best reading on the index since March. The sub-index for business activity – which has a stronger correlation with economic growth than the overall index – soared to 59.9, the best reading since February. On the inflation front, the prices paid index rose to 68.1. This is consistent with our view that the recent lull in inflation is temporary given the loose stance of monetary policy. In other news this morning, the ADP employment index, a measure of private sector payrolls, increased 162,000 in September, narrowly beating consensus expectations. The report was consistent with our forecast that Friday's official Labor report will show payroll gains of 115,000 nonfarm (including government) and 150,000 private. In other recent news, automakers reported car and light truck sales at a 14.96 million annual rate in September, up 3 percent from August, 14 percent from a year ago, and the fastest pace since early 2008.

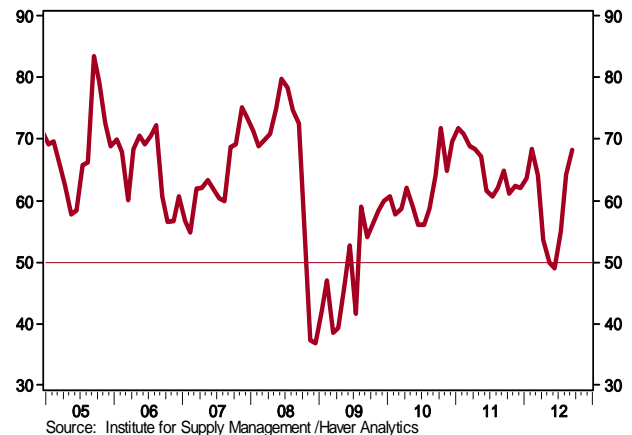
ISM Nonmanufacturing: NMI Composite Index

SA, 50+=Increasing



ISM: Nonmfg: Prices Index

SA, 50+ = Econ Expand



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Sep-12	Aug-12	Jul-12	3-month moving avg	6-month moving avg	Year-ago level
<b>Composite Index</b>	55.1	53.7	52.6	53.8	53.5	52.6
<b>Business Activity</b>	59.9	55.6	57.2	57.6	55.8	56.8
<b>New Orders</b>	57.7	53.7	54.3	55.2	54.7	56.2
<b>Employment</b>	51.1	53.8	49.3	51.4	51.9	47.9
<b>Supplier Deliveries (NSA)</b>	51.5	51.5	49.5	50.8	51.3	49.5
<b>Prices</b>	68.1	64.3	54.9	62.4	56.6	64.8

Source: Institute for Supply Management