

# September ISM Non-Manufacturing Index

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- The ISM non-manufacturing index declined to 54.4 in September, coming in well below the consensus expected 57.0. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The key sub-indexes were all lower in September, but all remain above 50. The new orders index declined to 59.6 from 60.5 and the business activity index fell to 55.1 from 62.2 while the supplier deliveries index slipped to 50.0 in August from 54.5. The employment index declined to 52.7 from 57.0.
- The prices paid index rose to 57.2 in September from 53.4 in August.

**Implications:** After exploding higher in August, the ISM service report came in at 54.4 in September, lower than consensus expectations but still well above 50, showing continued growth in the service sector. The business activity index – which has a stronger correlation with economic growth than the overall index – slipped to a still strong 55.1. The most disappointing part of the report was that the employment index pulled back in September to 52.7 from a strong 57.0. We would usually get the employment report tomorrow, but due to the government shutdown it will be delayed. Even with today’s data, we are still expecting a 197,000 gain in nonfarm payrolls. On the inflation front, the prices paid index rose to 57.2 in September from 53.4 in August. Given loose monetary policy, we expect this measure to move upward over the coming year. The Federal Reserve has been far too easy for far too long. In other news today, new claims for unemployment insurance increased 1,000 last week to 308,000. The four week moving average is now down to 305,000, the lowest level since May 2007. Continuing claims were up 104,000 to 2.93 million. In other employment news, yesterday, the ADP employment index showed a private payroll gain of 166,000 in September. In other recent news, Americans bought cars and light trucks at a 15.3 million annual rate in September, down 5.1% from August but a 3.4% gain versus a year ago.

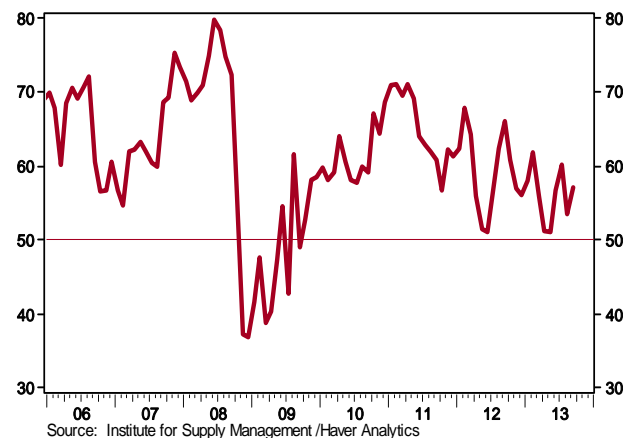
ISM Nonmanufacturing: NMI Composite Index

SA, 50+=Increasing



ISM: Nonmfg: Prices Index

SA, 50+ = Econ Expand



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Sep-13	Aug-13	Jul-13	3-month moving avg	6-month moving avg	Year-ago level
<b>Composite Index</b>	54.4	58.6	56.0	56.3	54.8	55.2
<b>Business Activity</b>	55.1	62.2	60.4	59.2	56.8	59.6
<b>New Orders</b>	59.6	60.5	57.7	59.3	56.9	57.8
<b>Employment</b>	52.7	57.0	53.2	54.3	53.4	52.0
<b>Supplier Deliveries (NSA)</b>	50.0	54.5	52.5	52.3	51.9	51.5
<b>Prices</b>	57.2	53.4	60.1	56.9	55.0	66.1

Source: Institute for Supply Management