

# October ISM Non-Manufacturing Index

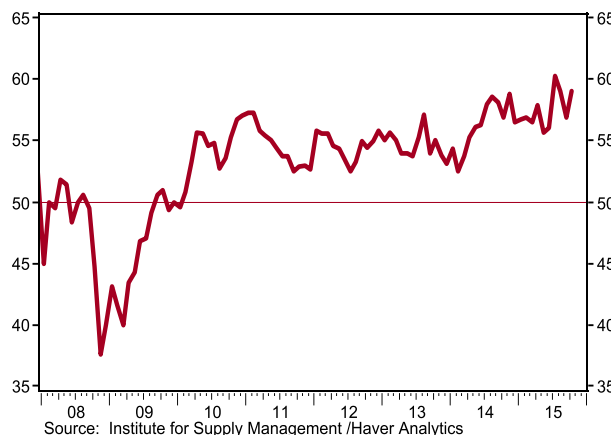
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- The ISM non-manufacturing index increased to 59.1 in October from 56.9 in September, coming in well above the consensus expected 56.5. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly higher in October, and all stand above 50, signaling expansion. The new orders index jumped to 62.0 from 56.7 while the business activity index rose to 63.0 from 60.2. The employment index moved higher to 59.2 from 58.3 in September. The supplier deliveries index moved lower to 52.0 from 52.5.
- The prices paid index rose to 49.1 in October from 48.4 in September.

**Implications:** A booming report from the services sector today, showing expansion for a 69th consecutive month. At 59.1, October’s headline reading represents the second fastest pace of growth (behind only the July reading of 60.3) going back to late 2005. Year to date, activity has shown a clear acceleration from recent years, averaging a level of 57.5 compared to a reading of 56.0 over the same period in 2014 and 54.9 in 2013. Some pouting pundits have suggested the more modest readings from the manufacturing sector present cause for concern, but the service sector, which represents a far larger portion of the total economy, paints a much different picture. In October, fourteen of eighteen industries reported growth. The most forward looking measures of activity, new orders, rose 5.3 points in October to a very healthy 62.0. Moreover, the accelerated pace of orders was broad based, with thirteen industries reporting growth while only one, mining, reported contraction. Expect activity to remain strong over the coming months as companies move to fill the steady flow of new orders coming in. Another bright spot in today’s report came from the employment index, which rose to 59.2 in October from 58.3 in September. This is in line with the trend in initial claims (34 consecutive weeks under 300K) that suggests employment is healthier than recent payroll reports have shown. That, in part, is also why our forecast for payrolls is well north of 200,000 versus a consensus expectation of 180,000. On the inflation front, the prices paid index inched higher to 49.1 from 48.4 in September, showing that prices continue to decline, but at a slower pace than in recent months. While today’s report was strong, what’s more important is that the positive trend in business activity seen through the first three quarters of 2015 looks set to continue through year end.

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>	Oct-15	Sep-15	Aug-15	3-month moving avg	6-month moving avg	Year-ago level
<b>Composite Index</b>	59.1	56.9	59.0	58.3	57.8	56.9
<b>Business Activity</b>	63.0	60.2	63.9	62.4	62.2	60.5
<b>New Orders</b>	62.0	56.7	63.4	60.7	60.4	59.3
<b>Employment</b>	59.2	58.3	56.0	57.8	56.9	58.3
<b>Supplier Deliveries (NSA)</b>	52.0	52.5	52.5	52.3	51.9	49.5
<b>Prices</b>	49.1	48.4	50.8	49.4	51.8	52.8

Source: Institute for Supply Management