

November ISM Non-Manufacturing Index

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- The ISM non-manufacturing index declined to 55.9 in November from 59.1 in October, coming in below the consensus expected 58.0. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly lower in November, but all remain above 50, signaling expansion. The business activity index fell to 58.2 from 63.0 while the new orders index declined to 57.5 from 62.0. The employment index moved lower to 55.0 from 59.2 in October. The supplier deliveries index increased to 53.0 from 52.0.
- The prices paid index rose to 50.3 in November from 49.1 in October.

Implications: Despite coming in well below consensus expectations, at 55.9 the ISM non-manufacturing index continued to signal robust growth in the service sector that makes up most of the US economy. This marks a stark contrast from the manufacturing sector, and suggests the Fed should and will start raising rates in mid-December. There are still a few key data releases before the Fed announces its decision on the 16th, but the decisive data should come in tomorrow's employment report. And plugging this morning's initial jobless claims reading of 269,000, a 39th consecutive week under 300,000, we are now forecasting payroll gains of 198,000 nonfarm and 188,000 private. In other words, unless tomorrow presents a huge negative surprise, the Fed will have no reason to [wimp out yet again](#). In November, twelve of eighteen service industries reported growth. The most forward looking measures, business activity and new orders, showed a slower pace of growth, but both remain at very healthy levels. Expect activity to remain strong over the coming months as companies move to fill the steady flow of new orders coming in. The employment index is also painting a positive picture. Despite some monthly volatility, the first eleven months of 2015 have shown employment growing at the fastest pace since the series began in 1998. On the inflation front, the prices paid index inched back above 50 in November, showing that prices rose modestly after two months of declines. Taken as a whole, today's reports on employment and service sector activity have set the stage for the Fed to finally make the much-overdue first rate hike before 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>	Nov-15	Oct-15	Sep-15	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Composite Index	55.9	59.1	56.9	57.3	57.9	58.8
Business Activity	58.2	63.0	60.2	60.5	62.0	63.4
New Orders	57.5	62.0	56.7	58.7	60.3	61.0
Employment	55.0	59.2	58.3	57.5	56.8	56.3
Supplier Deliveries (NSA)	53.0	52.0	52.5	52.5	52.4	54.5
Prices	50.3	49.1	48.4	49.3	50.9	55.0

Source: Institute for Supply Management