

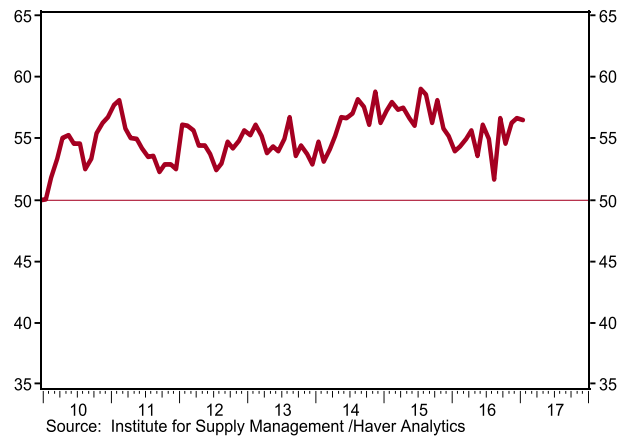
# January ISM Non-Manufacturing Index

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- The ISM non-manufacturing index declined to 56.5 in January, coming in below the consensus expected 57.0. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in January, but all remain above 50, signaling expansion. The new orders index fell to 58.6 from 60.7 in December, while the business activity index declined to 60.3 from 60.9. The employment index rose to 54.7 from 52.7 in December, while the supplier deliveries index moved higher to 52.5 from 52.0.
- The prices paid index increased to 59.0 from 56.1 in December.

**Implications:** The service sector had a solid start in 2017, essentially unchanged from the 56.6 December reading that tied the highest level seen in 2016. Meanwhile, the underlying details show a positive mix as the service sector expanded for an 85th consecutive month. The two most forward looking indices – new orders and business activity – slowed modestly from the highest readings seen in more than a year but continue to show a strong pace of expansion, suggesting service sector growth will carry forward in the months ahead. Employment, which showed a slowdown in the pace of growth in December, ticked back higher in January, in-line with the data out in this [morning's employment report](#). We expect employment growth will moderate as the labor market tightens, but the tax and regulatory reforms promised by the new administration should provide a tailwind across the service sector. On the inflation front, the prices paid index rose to 59.0 in January from 56.1 in December, representing the highest reading in more than two years. Rising costs for copper and fuels more than offset declining prices for beef and chicken. Overall, positive sentiment in the service sector remains broad-based, with twelve of eighteen industries reporting expansion while five reported contractions. And paired with Wednesday's strong manufacturing sector report released by the ISM, it's clear that businesses are hitting the ground running in the new year.

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



**ISM Nonmanufacturing: Prices Index**  
 SA, 50+ = Economy Expanding



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Jan-17	Dec-16	Nov-16	3-month moving avg	6-month moving avg	Year-ago level
<b>Composite Index</b>	56.5	56.6	56.2	56.4	55.4	54.0
<b>Business Activity</b>	60.3	60.9	60.3	60.5	58.6	54.4
<b>New Orders</b>	58.6	60.7	57.4	58.9	57.7	57.0
<b>Employment</b>	54.7	52.7	55.2	54.2	53.6	52.9
<b>Supplier Deliveries (NSA)</b>	52.5	52.0	52.0	52.2	51.6	51.5
<b>Prices</b>	59.0	56.1	55.6	56.9	55.3	48.1

Source: Institute for Supply Management