

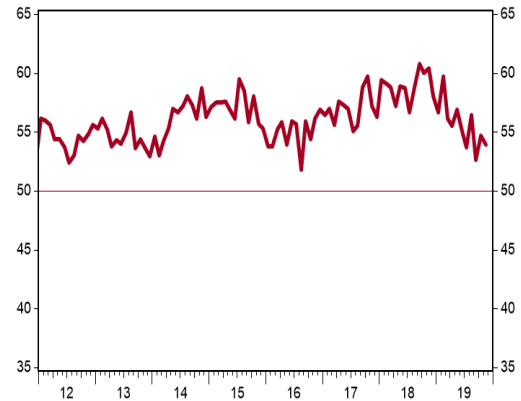
# November ISM Non-Manufacturing Index

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- The ISM Non-Manufacturing index declined to 53.9 in November, falling short of the consensus expected 54.5. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in November, but all stand above 50, signaling growth. The business activity index declined to 51.6 from 57.0 in October, while the supplier deliveries index fell to 51.5 from 52.5. The employment index rose to 55.5 from 53.7 in October, and the new orders index increased to 57.1 from 55.6.
- The prices paid index rose to 58.5 from 56.6 in October.

**Implications:** While so much attention has been given to the ISM manufacturing index as it dipped below 50 in recent months, data from the much larger service sector continues to show solid growth, although not quite as strong as in October. Growth was broad-based in November, with twelve industries reporting growth, while five showed decline. Respondents continue to note that trade uncertainty is weighing on businesses, with upward pressure on costs the most common refrain (more on that below). The two most forward-looking indices – business activity and new orders – moved in opposite directions in November, with orders rising but activity slowing. Given the rise in orders - which should continue in December as companies look to spend their annual budgets by year end - expect to see the activity index follow suit higher in the months ahead. The employment index jumped to 55.5 from 53.7 in October, coming in contrast to the ADP index data out this morning which showed private sector job gains of 67,000 for November, down from 121,000 in October. While we are waiting on tomorrow's initial claims data to finalize our forecast, we believe that Friday's employment report will follow the ISM survey data higher and show a print of around 200,000 nonfarm jobs added. Industries – construction in particular – continue to report difficulties finding qualified labor, but that shouldn't be a surprise with the unemployment rate near multi-decade lows. The supplier deliveries index moved down to 51.5 in November from 52.5 in October, signaling faster deliveries to companies. Respondents note that improved coordination activities with suppliers put in place during the third quarter are now resulting in faster deliveries in Q4. As noted above, price pressures continued to pick up in November, led higher by costs for electrical components, lumber, and cheese. Some of the upward pressure may be attributable to tariffs affecting the costs of goods imported from China, but as companies continue to shift production out of China, the magnitude of the impact has been muted. When you cut through the noise and focus on the fundamentals, the data continue to show an economy on solid footing. In other recent news, Americans bought cars and light trucks at a 17.1 million annual rate in November, up 3.4% from October, but down 1.7% from a year ago. The trend over the next few years should be gradually downward as consumers shift their spending toward other sectors.

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



Source: Institute for Supply Management/Haver Analytics

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



Source: Institute for Supply Management/Haver Analytics

Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Nov-19	Oct-19	Sep-19	3-month moving avg	6-month moving avg	Year-ago level
<b>Composite Index</b>	<b>53.9</b>	54.7	52.6	53.7	54.4	60.4
<b>Business Activity</b>	<b>51.6</b>	57.0	55.2	54.6	56.1	64.3
<b>New Orders</b>	<b>57.1</b>	55.6	53.7	55.5	56.1	62.7
<b>Employment</b>	<b>55.5</b>	53.7	50.4	53.2	54.0	58.0
<b>Supplier Deliveries (NSA)</b>	<b>51.5</b>	52.5	51.0	51.7	51.4	56.5
<b>Prices</b>	<b>58.5</b>	56.6	60.0	58.4	58.1	64.3

Source: Institute for Supply Management