

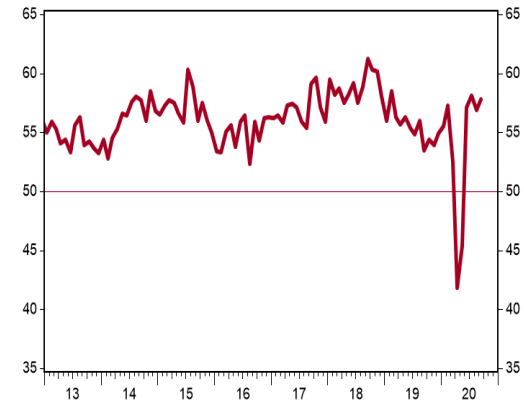
September ISM Non-Manufacturing Index

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- The ISM Non-Manufacturing index rose to 57.8 in September, beating the consensus expected 56.2. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mostly higher in September. The new orders index rose to 61.5 from 56.8 in August, while the employment index increased to 51.8 from 47.9. The business activity index moved higher to 63.0 from 62.4 in August. The supplier deliveries index declined to 54.9 from 60.5.
- The prices paid index fell to 59.0 from 64.2 in August.

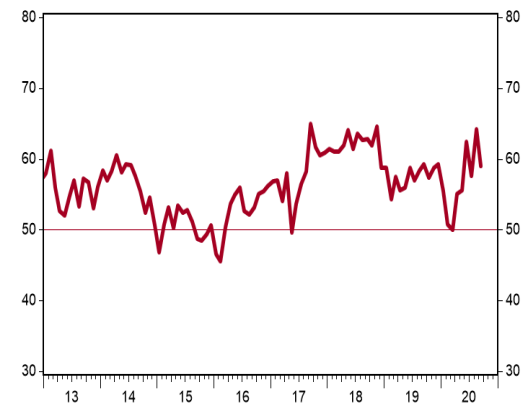
Implications: Service sector activity accelerated in September, as companies continue the battle back from the COVID impacts that shut down supply chains and decimated the employment market. In total, sixteen of eighteen companies reported growth in September, while just one (professional, scientific & technical services) reported contraction. The two most forward-looking indices – business activity and new orders – both moved higher in September, following a slowing in the pace of growth in August. New orders activity had the largest positive move in September, as businesses continue to reopen and retail activity picks up pace. Business activity, meanwhile, benefitted from the resumption of projects placed on hold as COVID hit, while companies are also putting end of fiscal year spending to work. Both orders and activity look likely to remain elevated in the months ahead, though it will come with fits and starts. The one main sub-index that declined in September was supplier deliveries, which rises when companies report longer delivery delays (typically a sign of more demand than companies can fill in a timely manner) and declines as delivery delays ease. While the index declined in September, it remains above 50 signaling that supply chain pressures continue to be a concern for many businesses. This – paired with stimulus spending and a loose monetary policy that has drastically increased the size of the M2 money supply – is a recipe for rising inflation in the months ahead. With the Fed simultaneously committing to keep rates low for the foreseeable future, they are [taking a gamble](#) on the future of inflation. One of the best developments in September came as the employment index moved back into expansion territory for the first time since February. On the inflation front, the prices paid index declined to 59.0 from 64.2 in August. Cleaning products, medical supplies (like N95 masks), and construction labor continue to lead prices higher. Taken as a whole, today’s report further confirms what the preponderance of the economic reports have been telling us over recent months, the recovery is underway, and the trend is higher. Nobody knows with certainty where exactly things will go from here, be it COVID-19 or the elections. What we do know is that our ability to identify, respond to, and treat cases as they arise continues to strengthen with each passing day. And regardless of the outcome in November, the entrepreneurs and innovators aren’t going to stop driving innovation – and the U.S. – forward.

ISM Services: Services PMI Composite Index
 SA, 50+=Increasing



Source: Institute for Supply Management/Haver Analytics

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



Source: Institute for Supply Management/Haver Analytics

| Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i> | Sep-20 | Aug-20 | Jul-20 | 3-month <i>moving avg</i> | 6-month <i>moving avg</i> | Year-ago <i>level</i> |
|--|-------------|--------|--------|------------------------------|------------------------------|--------------------------|
| Composite Index | 57.8 | 56.9 | 58.1 | 57.6 | 52.9 | 53.5 |
| Business Activity | 63.0 | 62.4 | 67.2 | 64.2 | 54.3 | 56.6 |
| New Orders | 61.5 | 56.8 | 67.7 | 62.0 | 53.7 | 54.7 |
| Employment | 51.8 | 47.9 | 42.1 | 47.3 | 41.1 | 51.7 |
| Supplier Deliveries (NSA) | 54.9 | 60.5 | 55.2 | 56.9 | 62.2 | 51.0 |
| Prices | 59.0 | 64.2 | 57.6 | 60.3 | 59.0 | 59.3 |

Source: Institute for Supply Management