

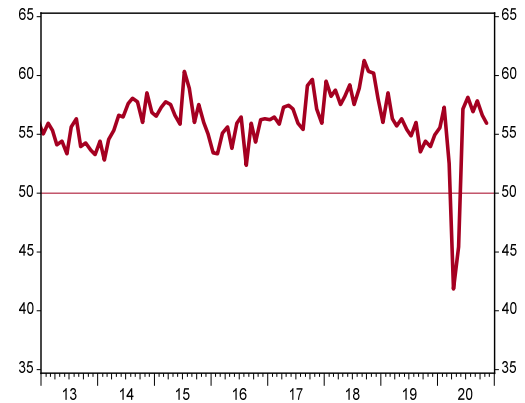
November ISM Non-Manufacturing Index

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- The ISM Non-Manufacturing index declined to 55.9 in November, narrowly beating the consensus expected 55.8. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mixed in November but all remained above 50. The business activity index declined to 58.0 from 61.2 in October, while the new orders index fell to 57.2 from 58.8. The employment index rose to 51.5 from 50.1 in October, and the supplier deliveries index increased to 57.0 from 56.2.
- The prices paid index rose to 66.1 from 63.9 in October.

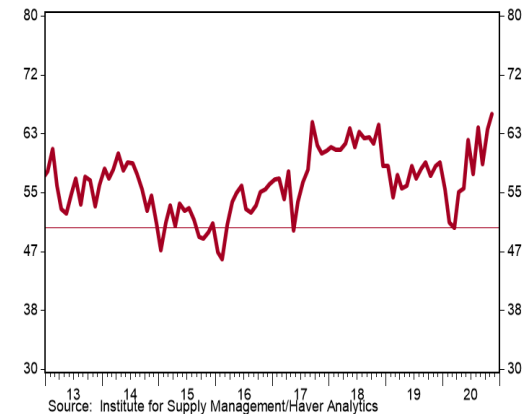
Implications: Service sector activity continued to expand in November, but at a slightly slower rate than in October. The pandemic remains the driving force surrounding cautious optimism from the service sector. Difficulties navigating conflicting guidelines at the local, regional, and national level have led some companies – most notably in accommodations & food services – to take a more cautious approach to rebuilding inventories and reopening locations. As a result, the two most forward-looking indices – business activity and new orders – both moved lower in November, but remain well in expansion territory. Business activity saw the largest move, declining to 58.0 in November from 61.2, but while the pace of growth slowed, growth continued in fourteen of the eighteen sectors. The new orders index tells a similar story, with a slightly weaker pace of growth but activity increasing across the vast majority of industries. Both orders and activity look likely to remain elevated in the months ahead, though it will come with fits and starts. Rising in November were the employment and supplier deliveries indices. It’s important to note that the supplier deliveries index rises when companies report longer delivery delays (typically a sign of more demand than suppliers can fill in a timely manner) and the increase in delays in November came as back orders and material shortages hit the health care industry particularly hard. This is a supply-side issue as supply chains continue to come back online and have difficulty responding to COVID-19 restrictions. This problem is lifting prices which can be seen in the prices paid index as well, which rose to 66.1 from 63.9 in November, led by rising costs for cleaning products, medical supplies (like N95 masks), and construction labor. On the jobs front, the employment index rose to 51.5 from 50.1 in October. Here, too, the pandemic has put business back on their heels, leading some companies to overstaff due to high turnover rates and the risk of employees needing to quarantine on short notice. Yesterday’s ADP employment report showed 307,000 private-sector jobs gained in November, falling short of a consensus expected gain of 440,000. Meanwhile data out this morning showed initial jobless claims fell 75,000 last week to 712,000, beating the consensus expected 775,000. Continuing claims for regular benefits fell 569,000 to 5.520 million, beating the consensus expected 5.800 million claims and notching the lowest mark since March. That said, claims data should be taken with a grain of salt for the time being. Tomorrow we will get the reading on November employment, which we forecast will show nonfarm payroll growth of around 438,000, which should bring the unemployment rate down to around 6.7% from the high of 14.7% back in April. In other recent news, cars and light trucks were sold at a 15.55 million annual rate in November. Sales were down 4.5% from October and down 8.4% from a year ago, but dramatically improved versus earlier this year. On the housing front, pending home sales, which are contracts signed on existing homes, declined 1.1% in September, but remain up a whopping 19.5% in the past year.

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>	Nov-20	Oct-20	Sep-20	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	55.9	56.6	57.8	56.8	57.1	53.9
Business Activity	58.0	61.2	63.0	60.7	63.0	52.3
New Orders	57.2	58.8	61.5	59.2	60.6	56.7
Employment	51.5	50.1	51.8	51.1	47.8	54.9
Supplier Deliveries (NSA)	57.0	56.2	54.9	56.0	56.9	51.5
Prices	66.1	63.9	59.0	63.0	62.2	58.8

Source: Institute for Supply Management