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## September ISM Non-Manufacturing Index

- The ISM Non-Manufacturing index increased to 54.9 in September, easily beating the consensus expected 51.7. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mostly higher in September. The business activity index increased to 59.9 from 53.3 and the new orders index rose to 59.4 from 53.0. The employment index fell to 48.1 from 50.2, while the supplier deliveries index rose to 52.1 from 49.6.
- The prices paid index increased to 59.4 in September from 57.3 in August.

**Implications:** After a shaky past few months the ISM Services index surprised to the upside in September, easily beating expectations, and rising to the fastest pace in nineteen months. Within the sector, twelve of the eighteen major industries reported growth while five reported contraction. Looking at the details, the major measures of activity moved mostly higher, led by big jumps from the indexes for business activity and new orders. Akin to the overall index, the index for new orders has been on a choppy downward path in 2024, but that reversed in September, as the index rose to nineteen-month high at 59.4. Survey comments note that although the recent half-point cut from the Federal Reserve is encouraging, it may take another 150 basis points to move the needle in sales. Despite increased activity in September, companies remained defensive in their hiring efforts. The index for employment fell back into contraction territory at 48.1, now the seventh month in the last ten below 50. Meanwhile, inflation remains a problem in the services sector. The prices paid index rose to 59.4 in September – the fastest pace since January – with twelve out of eighteen major industries paying higher prices for the month. Developments in this category are important as the services sector has been a main driver for stubbornly high inflation over the last two years. Our expectation is that inflation and growth in the sector decelerate as the lagged impacts from a drop in the M2 measure of the money supply from early 2022 through late 2023 take effect. In employment news this morning, initial jobless claims rose 6,000 last week to 225,000. Meanwhile, continuing claims declined 1,000 to 1.826 million. Also on the labor front, ADP’s measure of private payrolls increased 143,000 in September versus a consensus expected 125,000. We’re estimating tomorrow’s government report will show a nonfarm payroll gain of 157,000 with the unemployment rate staying steady at 4.2%. In other recent news, cars and light trucks were sold at a 15.8 million annual rate in September, up 3.3% from August but up only 0.5% versus a year ago.

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-24	Aug-24	Jul-24	3-month moving avg	6-month moving avg	Year-ago level
<b>Composite Index</b>	<b>54.9</b>	51.5	51.4	52.6	51.6	53.4
<b>Business Activity</b>	<b>59.9</b>	53.3	54.5	55.9	54.9	58.1
<b>New Orders</b>	<b>59.4</b>	53.0	52.4	54.9	53.1	52.7
<b>Employment</b>	<b>48.1</b>	50.2	51.1	49.8	48.1	52.5
<b>Supplier Deliveries (NSA)</b>	<b>52.1</b>	49.6	47.6	49.8	50.5	50.4
<b>Prices</b>	<b>59.4</b>	57.3	57.0	57.9	57.9	58.6

Source: Institute for Supply Management