

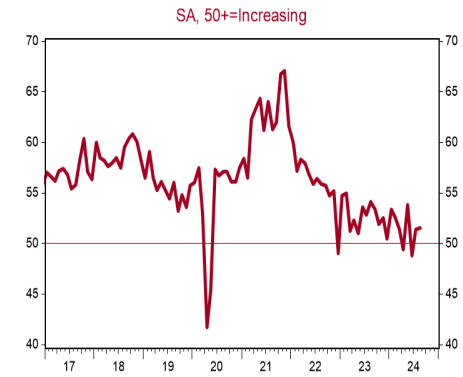
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October ISM Non-Manufacturing Index

- The ISM Non-Manufacturing index increased to 56.0 in October, easily beating the consensus expected 53.8. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity were mixed in October, but all stand above 50, signaling growth. The business activity index declined to 57.2 from 59.9 and the new orders index fell to 57.4 from 59.4. The employment index increased to 53.0 from 48.1, while the supplier deliveries index rose to 56.4 from 52.1.
- The prices paid index declined to 58.1 in October from 59.4 in September.

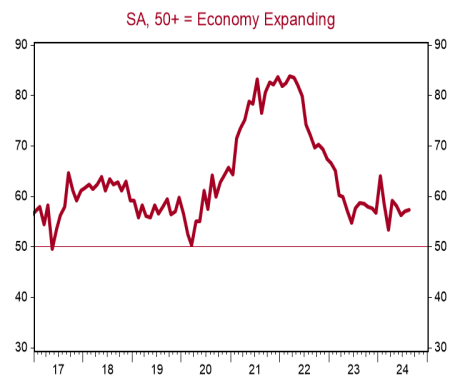
Implications: Activity in the US service sector accelerated in October as the ISM Services index increased to 56.0, the fastest pace in more than two years. The rise in activity was broad-based, with fourteen out of eighteen major industries reporting growth and two reporting contraction. Looking at the details, the increase in the overall index can be attributed to higher readings for the employment index and the supplier deliveries index, which both rose by four or more percentage points. Comments from survey respondents reveal that hurricanes and port strikes boosted the supplier deliveries index, signaling longer lead times. Meanwhile, the employment index rose to the highest level in more than a year to 53.0, although growth was split, with just half (nine) of the major industries reporting an increase in employment and five reporting a decrease. The indexes for business activity and new orders both declined by two percentage points but sit firmly in expansion territory at 57.2 and 57.4, respectively, signaling growth. Finally, inflation remains a problem in the service sector. The prices paid index came in at the highest level for any category in the report at 58.1, with fifteen out of eighteen major industries paying higher prices. While monetary policy is tight (the M2 measure of the money supply is still down 2.3% from its peak in early 2022), it is less tight than it was before the Federal Reserve cut rates by 50bps at its last meeting. Though we expect the Federal Reserve to continue with a 25bps cut at the meeting this week – the embers of inflation still remain – and there are serious risks that an overly aggressive path of cuts could bring with them a pickup in the M2 measure of money, and with it a return of inflation.

ISM Services: Services PMI Composite Index



Source: Institute for Supply Management/Haver Analytics

ISM Services: Prices Index



Source: Institute for Supply Management/Haver Analytics

Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Oct-24	Sep-24	Aug-24	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	56.0	54.9	51.5	54.1	52.7	51.9
Business Activity	57.2	59.9	53.3	56.8	56.0	54.5
New Orders	57.4	59.4	53.0	56.6	53.9	55.1
Employment	53.0	48.1	50.2	50.4	49.3	50.4
Supplier Deliveries (NSA)	56.4	52.1	49.6	52.7	51.8	47.5
Prices	58.1	59.4	57.3	58.3	57.7	58.0

Source: Institute for Supply Management