

January ISM Non-Manufacturing Index

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- The ISM non-manufacturing index increased to 56.7 in January from 56.5 in December, coming in above the consensus expected 56.4. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly higher in January, and all remain above 50. The business activity index rose to 61.5 from 58.6 while the supplier deliveries index increased to 54.0 from 52.5. The new orders index moved higher to 59.5 from 59.2. The employment index dipped to 51.6 from 55.7.
- The prices paid index declined to 45.5 in January from 49.8 in December.

Implications: A strong reading from the services sector to start off the new year as the ISM non-manufacturing index surprised to the upside. The January reading of 56.7, slightly above the average level of 56.3 seen in 2014, represents a 60th consecutive month of readings above 50 (levels above 50 signal expansion; levels below 50 signal contraction.) The business activity index – which has a stronger correlation with economic growth than the overall index – rose 2.9 points in January to a robust 61.5 as companies credited mild January weather, lower gas prices, and new product introductions. Meanwhile, companies appear to be putting their recently finalized 2015 budgets to work. The new orders index, a more forward looking measure of activity, ticked higher in January to a 59.5, suggesting production will continue to expand in the months ahead and at a slightly faster pace. The weakest area in today’s report came from the employment index, which showed a decline to 51.6 from 55.7 in December, suggesting employment continued to expand in January, but at a slightly slower pace. On the inflation front, the prices paid index continued to be led lower by the decline in energy prices. While the drop in oil may hold down inflation in the short term, monetary policy remains loose, and we expect this measure to move upward over the coming year. In other news this morning, the ADP index shows private payrolls up 213,000 in January. Plugging this into our models suggests Friday’s official report will show nonfarm payrolls up 242,000 with a 236,000 gain in the private sector, another solid month. Yesterday, automakers reported car and light truck sales at a 16.7 million annual rate in January, a dip of 1.5% from December but up 8.9% from a year ago. We expect sales to continue to improve relative to 2014, powered by rising consumer incomes.

ISM Nonmanufacturing: NMI Composite Index

SA, 50+=Increasing



ISM: Nonmfg: Prices Index

SA, 50+ = Econ Expand



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Jan-15	Dec-14	Nov-14	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Composite Index	56.7	56.5	58.8	57.3	57.6	54.3
Business Activity	61.5	58.6	63.4	61.2	61.5	56.6
New Orders	59.5	59.2	61.0	59.9	60.3	52.2
Employment	51.6	55.7	56.3	54.5	56.1	56.0
Supplier Deliveries (NSA)	54.0	52.5	54.5	53.7	52.5	52.5
Prices	45.5	49.8	55.0	50.1	52.6	57.0

Source: Institute for Supply Management