November ISM Non-Manufacturing Index

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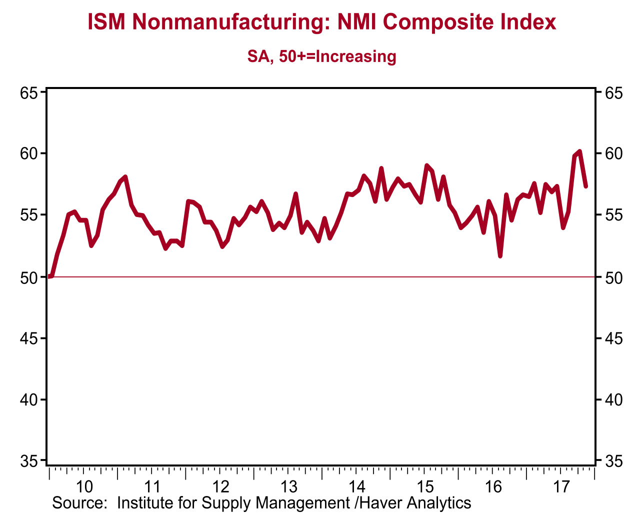
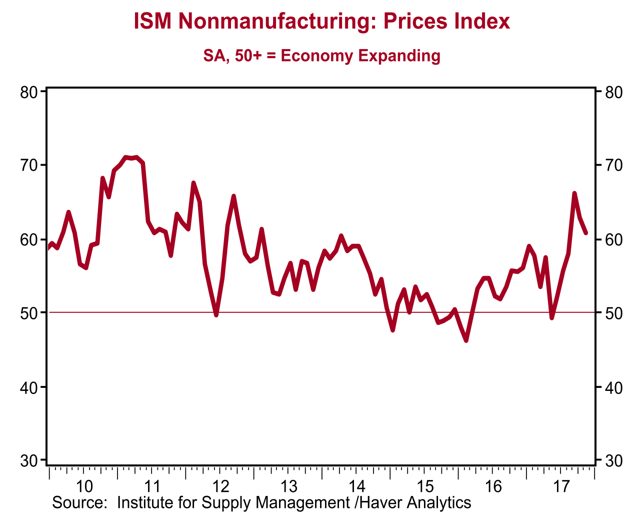
- The ISM non-manufacturing index declined to 57.4 in November, coming in below the consensus expected 59.0. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were all lower in November, but all remain well above 50, signaling expansion. The new orders index fell to 58.7 from 62.8 in October, while the supplier deliveries index declined to 54.0 from 58.0. The employment index moved lower to 55.3 from 57.5 in October, and the business activity index fell to 61.4 from 62.2.
- The prices paid index declined to 60.7 from 62.7 in October.

Implications: It shows how far the economy has come that a robust reading of 57.4 for the ISM Services index is a disappointing number. Growth in the service sector slowed in November, coming off October's reading of the fastest expansion in more than a decade. Sixteen of eighteen industries reported growth (one reported contraction), while all major measures of activity stand comfortably in expansion territory. The most forward looking indices – new orders and business activity – both remain at very healthy levels, signaling that activity should remain healthy in the months ahead. The prices paid index declined to a still high 60.7 in November, with labor shortages and rising fuel costs cited by respondents. There may be some remnants of hurricane impacts in both the pricing data and supply chains, with supplier delivery backlogs improving but still above pre-storm levels. But a look at the trend in the data shows that improvements were well underway before the hurricanes provided a temporary bump in business. So while prices and supplier deliveries will moderate over the coming months, we expect service activity will remain strong heading into 2018. On the jobs front, the employment index declined to 55.3 from 57.5 in October. Our forecasts may change with ADP and initial claims reports in the coming days, but we are currently forecasting nonfarm jobs growth of 207,000 for November. Put it all together and the service sector, like the manufacturing sector, shows why the economy is picking up the pace. In other recent news, automakers reported sales of cars and light trucks at a 17.5 million annual rate for November, down 3.1% from October and down 1% from a year ago. It looks like the surge in auto sales after Hurricanes Harvey and Irma has just about run its course. After hitting a calendar-year record high of 17.5 million in 2016, sales for all of 2017 should be 17.2 million. Look for a further modest decline next year as US consumers shift their spending to other sectors.





Non-Manufacturing ISM Index *Seasonally Adjusted Unless Noted*	Nov-17	Oct-17	Sep-17	3-month *moving avg*	6-month *moving avg*	Year-ago *level*
Composite Index	**57.4**	60.1	59.8	59.1	57.3	56.2
Business Activity	**61.4**	62.2	61.3	61.6	59.9	60.3
New Orders	**58.7**	62.8	63.0	61.5	59.5	57.4
Employment	**55.3**	57.5	56.8	56.5	55.9	55.2
Supplier Deliveries (NSA)	**54.0**	58.0	58.0	56.7	54.0	52.0
Prices	**60.7**	62.7	66.3	63.2	59.2	55.6

Source: Institute for Supply Management