

# January ISM Non-Manufacturing Index

**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Senior Economist  
**Strider Elass** – Economic Analyst

- The ISM non-manufacturing composite index increased to 56.8 in January, blowing away the consensus expected gain to 53.2. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- Most key sub-indexes were higher in January. The new orders index rose to 59.4 from 54.6, the business activity index increased to 59.5 in January from 55.9, and the employment index went up to 57.4 from 49.8. The supplier deliveries index fell slightly to 51.0 from 51.5.
- The prices paid index rose to 63.5 in January from 62.0 in December.

**Implications:** Great news on the service sector this morning! The ISM services index blew away consensus expectations, coming in at 56.8, the highest level since February 2011. The service sector has now shown expansion for 25 straight months. The business activity index, which has a stronger correlation with real GDP growth than the overall index, boomed in January, coming in at 59.5. The new orders index also took off, rising to 59.4, the highest level since March. Perhaps the best news from today's report was that the employment index rose to 57.4 in January from 49.8 in December. This is the highest reading on the employment index since February 2006 and helps back up the great numbers we saw in this morning's Labor Department report. On the inflation front, the prices paid index rose to 63.5 after falling slightly to 62.0 last month. The index remains at elevated levels, indicating upward price pressure. In other recent news, January same-store chain store sales were up 4.8% from a year ago, according to the International Council of Shopping Centers. These figures, along with strong auto sales as well as other data, suggest a very strong January for overall retail sales. The new year is off to a fast start as the economy continues to pick up steam.

**ISM Nonmanufacturing: NMI Composite Index**  
 SA, 50+=Increasing



**ISM: Nonmfg: Prices Index**  
 SA, 50+ = Econ Expand



<b>Non-Manufacturing ISM Index</b> <i>Seasonally Adjusted Unless Noted</i>	<b>Jan-12</b>	<b>Dec-11</b>	<b>Nov-11</b>	<b>3-month moving avg</b>	<b>6-month moving avg</b>	<b>Year-ago level</b>
<b>Composite Index</b>	<b>56.8</b>	53.0	52.6	54.1	53.6	58.3
<b>Business Activity</b>	<b>59.5</b>	55.9	56.1	57.2	56.3	62.4
<b>New Orders</b>	<b>59.4</b>	54.6	54.1	56.0	55.1	63.2
<b>Employment</b>	<b>57.4</b>	49.8	50.3	52.5	51.7	54.1
<b>Supplier Deliveries (NSA)</b>	<b>51.0</b>	51.5	50.0	50.8	51.2	53.5
<b>Prices</b>	<b>63.5</b>	62.0	62.2	62.6	62.6	71.9

Source: Institute for Supply Management