

December ISM Non-Manufacturing Index

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- The ISM non-manufacturing index declined to 53.0 in December, coming in below the consensus expected 54.6. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The key sub-indexes were mixed in December, but most remain above 50. The business activity index slipped to 55.2 from 55.5 and the new orders index declined to 49.4 from 56.4. The employment index rose to 55.8 in December from 52.5, while the supplier deliveries index rose to 51.5 from 51.0.
- The prices paid index rose to 55.1 in December from 52.2 in November.

Implications: Following a strong report from the manufacturing sector, which showed strength in December, the service sector continued to grow in December, but at a slightly slower pace. The ISM services report came in at a respectable 53.0 in December, below consensus expectations but showing expansion for the 48th consecutive month. The business activity index – which has a stronger correlation with economic growth than the overall index – declined to 55.2, signaling continued moderate growth. The best part of the report was a 3.3 point increase in the employment index, to 55.8. The worst news was the new orders index falling to 49.4 in December, dropping below 50 for the first time since July of 2009. The new orders index has declined for four straight months. For the manufacturing index, this would be a negative sign, but service orders are more difficult to measure accurately and the recent decline has not been supported by other data. As a result, we suspect the index for orders will rebound in the next few months. On the inflation front, the prices paid index rose to 55.1 in December from 52.2 in November. Still no sign of runaway inflation, but given loose monetary policy, we expect this measure to move upward over the coming year. In other recent economic news, on Friday automakers reported selling cars and light trucks at a 15.4 million annual rate in December, down 6.2% from November and below the consensus expected 16.0 million. But sales in November were very strong, and with such a short period of time between Thanksgiving and Christmas last year, we do not view this dip as a harbinger of weaker demand for autos. Combined, November/December sales were up 4.1% versus a year ago.

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>	Dec-13	Nov-13	Oct-13	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Composite Index	53.0	53.9	55.4	54.1	55.2	55.7
Business Activity	55.2	55.5	59.7	56.8	58.0	60.8
New Orders	49.4	56.4	56.8	54.2	56.7	58.3
Employment	55.8	52.5	56.2	54.8	54.6	55.3
Supplier Deliveries (NSA)	51.5	51.0	49.0	50.5	51.4	48.5
Prices	55.1	52.2	56.1	54.5	55.7	56.1

Source: Institute for Supply Management