

# September ISM Non-Manufacturing Index

Brian S. Wesbury – Chief Economist  
 Robert Stein, CFA – Dep. Chief Economist  
 Strider Elss – Economist

- The ISM non-manufacturing index rose to 59.8 in September, easily beating the consensus expected 55.5. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were all higher in September, and all stand above 50, signaling expansion. The supplier deliveries index jumped to 58.0 from 50.5 in August, while the new orders activity index rose to 63.0 from 57.1. The business activity index moved higher to 61.3 from 57.5 in August, and the employment index increased to 56.8 from 56.2.
- The prices paid index increased to 66.3 from 57.9 in August.

**Implications:** Service sector activity grew in September at the fastest pace since 2005, putting an exclamation point on [Monday's booming report](#) from the manufacturing sector. All major measures of service activity showed a pickup in the pace of growth in September, while fifteen of eighteen industries reported growth (two reported contraction). The most forward looking indices – new orders and business activity – both ticked higher in September and stand at very healthy levels above 60. The impacts of Hurricanes Harvey and Irma can be felt throughout the report, but are especially evident in the pricing data. The prices paid index jumped to 66.3 in September, the highest reading in more than five years. Supply chains were impacted as well, pushing supplier deliveries higher. On the jobs front, the employment index increased to 56.8 from 56.2 in August. While we still have initial claims data out tomorrow morning that may impact our forecast, taking this morning's ADP employment report out this morning, which showed a 135,000 gain in private sector jobs, moves our forecast for non-farm payrolls growth to 65,000 in September. This is a temporary dip in job gains due to the storms and should rebound in the coming months as displaced workers return to work. In other words, don't fret a sub-100,000 jobs number on Friday, and ignore any pouting pundits that claim the sky is falling. The storm impacts on the data will subside in the coming months and the underlying trend of growth seen to-date in 2017 will continue. When viewed as a whole, today's reading on the service sector shows healthy economic activity to close out Q3, and a positive outlook as we approach the holiday season. In other recent news, automakers reported white-hot car and light truck sales in September, with the total coming in at an 18.6 million annual rate, up 15% from August, up 4.8% from a year ago, and the fastest pace for any month since 2005. Sales should remain very strong through year-end as consumers replace autos destroyed in Hurricanes Harvey and Irma. Overall for 2017, however, sales should be slightly below the record set in 2016 and should drop even more in 2018 as consumers shift toward other purchases.

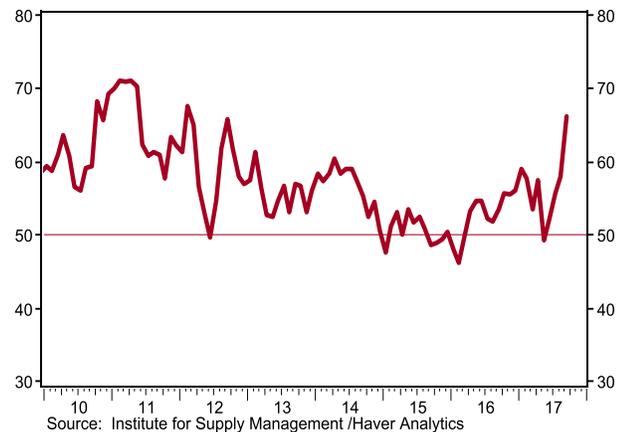
ISM Nonmanufacturing: NMI Composite Index

SA, 50+=Increasing



ISM Nonmanufacturing: Prices Index

SA, 50+ = Economy Expanding



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Sep-17	Aug-17	Jul-17	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Composite Index</b>	<b>59.8</b>	55.3	53.9	56.3	56.8	56.6
<b>Business Activity</b>	<b>61.3</b>	57.5	55.9	58.2	59.8	59.8
<b>New Orders</b>	<b>63.0</b>	57.1	55.1	58.4	59.4	59.6
<b>Employment</b>	<b>56.8</b>	56.2	53.6	55.5	55.3	56.0
<b>Supplier Deliveries (NSA)</b>	<b>58.0</b>	50.5	51.0	53.2	52.8	51.0
<b>Prices</b>	<b>66.3</b>	57.9	55.7	60.0	56.5	53.5

Source: Institute for Supply Management

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