

January ISM Non-Manufacturing Index

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

- The ISM non-manufacturing index rose to 59.9 in January, easily beating the consensus expected 56.7. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly higher in January, and all remain well above 50, signaling expansion. The new orders index surged to 62.7 from 54.5 in December, while the employment index rose to 61.6 from 56.3. The business activity index increased to 59.8 from 57.8 in December. The supplier deliveries index was unchanged at 55.5.
- The prices paid index rose to 61.9 from 59.9 in December.

Implications: A booming report from the service sector to start 2018, as the ISM non-manufacturing index rose to 59.9, the highest reading for the index since 2005. While a pickup in activity was expected, the surge in January easily exceeded the estimates of all sixty-six groups providing forecasts. Fifteen of eighteen industries reported growth in January (three reported contraction), while all major measures of activity stand comfortably in expansion territory. The most forward looking indices – new orders and business activity – both rose in January and stand above their five-year averages. And with tax reform passed in late December, survey respondents noted expectations that the new tax bill will increase activity in the months ahead. Supplier deliveries were unchanged in January, but remain elevated from the levels that we saw in mid-2017, before the hurricane season. While there may still be some lingering remnants of storm impacts, this also reflects a pickup in orders and activity due to an accelerating economy. The prices paid index rose to 61.9 in January, with rising prices cited across fuel types and metals. In total, twenty-one commodities were reported up in price while just one, chicken products, was reported lower. On the jobs front, the employment index rose to 61.6 from 56.3 in December. [Jobs data out last Friday](#) shows a more complete picture of the jobs market, which – along with the ISM services and manufacturing indices – paints a picture of a growing economy putting upward pressure on wages. The stage is set for the pickup in economic activity so evident in other economic data to continue into 2018. A policy shift toward growth oriented, supply-side policies in Washington have the potential to make 2018 a breakout year for the private sector.

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>	Jan-18	Dec-17	Nov-17	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	59.9	56.0	57.3	57.7	57.9	56.8
<i>Business Activity</i>	59.8	57.8	61.1	59.6	59.8	60.7
<i>New Orders</i>	62.7	54.5	58.8	58.7	59.5	59.3
<i>Employment</i>	61.6	56.3	55.4	57.8	57.1	54.5
<i>Supplier Deliveries (NSA)</i>	55.5	55.5	54.0	55.0	55.3	52.5
Prices	61.9	59.9	60.1	60.6	61.2	57.5

Source: Institute for Supply Management