

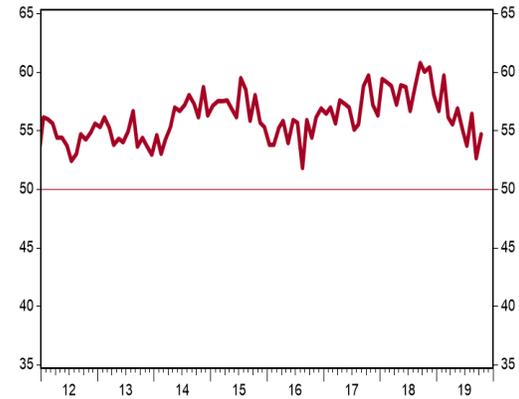
# October ISM Non-Manufacturing Index

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- The ISM Non-Manufacturing index rose to 54.7 in October, easily beating the consensus expected 53.5. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were all higher in October, and all stand above 50, signaling growth. The employment index rose to 53.7 from 50.4 in September, while the new orders index increased to 55.6 from 53.7. The business activity index moved higher to 57.0 from 55.2 in September, and the supplier deliveries index rose to 52.5 from 51.0.
- The prices paid index declined to 56.6 from 60.0 in September.

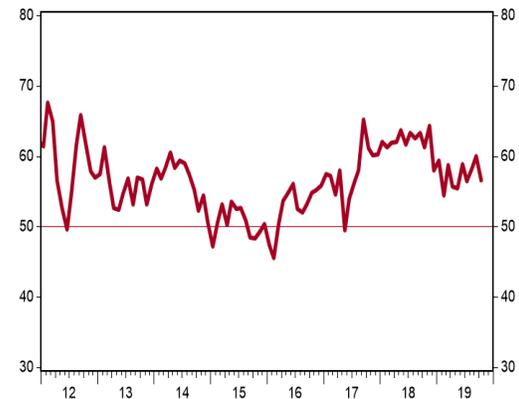
**Implications:** Activity in the service sector accelerated in October, supporting the Fed’s plan to stop cutting rates for the foreseeable future. While so much attention has been given to the ISM manufacturing index as it dipped below 50 in recent months, data from the much larger service sector continues to be a much better gauge on the health of the broader economy. Growth was broad-based in October, with thirteen industries reporting growth, while five showed decline. Respondents continue to note that trade uncertainty is weighing on businesses, but have a positive outlook heading into the typically busy holiday season. Following a dip in September, the two most forward-looking indices – business activity and new orders – both rose in October and remain comfortably in expansion territory. And both categories match the overall index in showing the bulk of industries participating in the growth. The employment index jumped to 53.7 from 50.4 in September, in-line with the healthy payroll growth we saw in last Friday’s employment report. Industries – construction in particular – continue to report difficulties finding qualified labor. That shouldn’t be a surprise with the unemployment rate near multi-decade lows, but rising wages are also bringing more workers into the labor force. Last week’s employment report showed the labor force participation rate rose to 63.3% in October, the highest since 2013, while participation among “prime-age” workers (25-54) hit the highest level in more than a decade. More workers in the workforce, paired with rising wages and healthy consumer balance sheets, lay the framework for continued economic growth. The supplier deliveries index moved to 52.5 in October from 51.0 in September, signaling slower deliveries to companies, as respondents noted capacity constraints and weather-related delays. Price pressures, meanwhile, continued to pick up in October, though at slower rate than in recent months, led higher by costs for electrical components, lumber, and cheese. Some of the upward pressure may be attributable to tariffs affecting the costs of goods imported from China, but as companies continue to shift production out of China, the magnitude of the impact has been muted. When you cut through the noise and focus on the fundamentals, the data continue to show an economy on solid footing.

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



Source: Institute for Supply Management/Haver Analytics

**ISM Nonmanufacturing: Prices Index**  
 SA, 50+ = Economy Expanding



Source: Institute for Supply Management/Haver Analytics

<b>Non-Manufacturing ISM Index</b> <i>Seasonally Adjusted Unless Noted</i>	<b>Oct-19</b>	<b>Sep-19</b>	<b>Aug-19</b>	<b>3-month moving avg</b>	<b>6-month moving avg</b>	<b>Year-ago level</b>
<b>Composite Index</b>	<b>54.7</b>	52.6	56.4	54.6	54.9	60.0
<b>Business Activity</b>	<b>57.0</b>	55.2	61.5	57.9	57.7	62.6
<b>New Orders</b>	<b>55.6</b>	53.7	60.3	56.5	56.4	61.7
<b>Employment</b>	<b>53.7</b>	50.4	53.1	52.4	54.4	58.3
<b>Supplier Deliveries (NSA)</b>	<b>52.5</b>	51.0	50.5	51.3	51.1	57.5
<b>Prices</b>	<b>56.6</b>	60.0	58.2	58.3	57.6	61.3

Source: Institute for Supply Management