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October ISM Non-Manufacturing Index

- The ISM Non-Manufacturing index increased to 66.7 in October, easily beating the consensus expected 62.0. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity moved mostly higher in October, and all stand above 50, signaling growth. The business activity index rose to 69.8 from 62.3, while the new orders index increased to 69.7 from 63.5. The supplier deliveries index rose to 75.7 from 68.8, and the employment index ticked down to 51.6 from 53.0.
- The prices paid index rose to 82.9 from 77.5 in September.

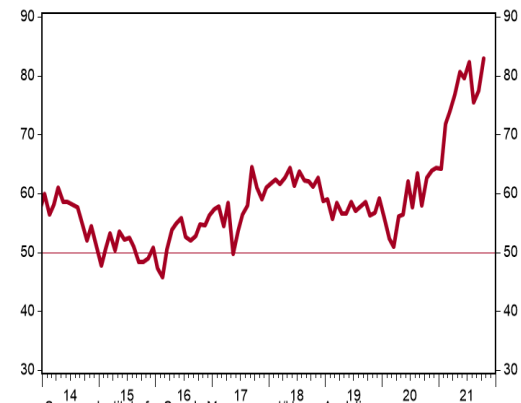
Implications: Growth in the service sector accelerated in October, with the national index hitting the highest level on record, the fourth time that’s happened this year. Despite the record high, survey comments continue to be dominated by discussions related to supply chain shortages, signaling the possibility of faster growth in the service sector if these problems are fixed. The broad-based supply chain disruptions, including delayed shipments, material shortages, rising costs, and difficulties hiring critical staff, continue to hamper activity at service sector firms. These issues can be clearly seen in the supplier deliveries index, which surged to 75.7 in October, signaling longer wait times. Moreover, the backlog of orders index rose to 67.3, which is a record high, and the prices paid index jumped to 82.9, the second highest reading on record going back to 1997. All eighteen industries reported increased prices paid for materials, and the details show only one commodity (lumber) was reported lower in price, while forty were reported up. While costs are rising and inputs hard to get, all eighteen industries still reported growth in October, and the two most forward-looking indices – business activity and new orders – posted strong gains, and both sit at all-time highs. It’s clear the question that must be answered in the course of the service sector recovery is not whether there will be enough demand, but if there will be enough supply to meet it. Only time will tell. In other news this morning, the ADP employment report showed 571,000 private-sector jobs gained in October. We will plug this into our models later today, but expect a robust official jobs report on Friday. On the autos front, car and light truck sales rose 6.3% in October to a 13.0 million annual rate. These sales are down 20.8% from a year ago, but October’s rise ends a string of five consecutive monthly declines. The key hurdle for these sales remains supply constraints, largely due to a shortage of computer chips. Look for that problem to ease over the next year, resulting in a faster pace of sales.

ISM Services: Services PMI Composite Index
 SA, 50+=Increasing



Source: Institute for Supply Management/Haver Analytics

ISM Services: Prices Index
 SA, 50+ = Economy Expanding



Source: Institute for Supply Management/Haver Analytics

Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Oct-21	Sep-21	Aug-21	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	66.7	61.9	61.7	63.4	63.1	56.2
Business Activity	69.8	62.3	60.1	64.1	64.3	61.1
New Orders	69.7	63.5	63.2	65.5	64.4	57.3
Employment	51.6	53.0	53.7	52.8	52.8	50.1
Supplier Deliveries (NSA)	75.7	68.8	69.6	71.4	70.8	56.1
Prices	82.9	77.5	75.4	78.6	79.7	62.7

Source: Institute for Supply Management