

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

November ISM Non-Manufacturing Index

- The ISM Non-Manufacturing index increased to 69.1 in November, easily beating the consensus expected 65.0. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity moved mostly higher in November, and all stand comfortably above 50, signaling growth. The business activity index rose to 74.6 from 69.8, while the employment index rose to 56.5 from 51.6. The new orders index was unchanged at 69.7, while the supplier deliveries index remained at 75.7.
- The prices paid index ticked down to 82.3 from 82.9 in October.

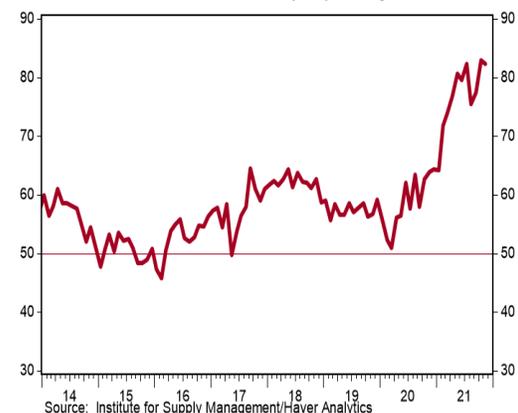
Implications: Growth in the service sector continued to accelerate in November, with the composite index hitting the highest level on record, registering 2.4 percentage points above the previous all-time high set just last month, and marking the fifth time this year a new record has been set. Gains were broad-based, with all 18 industries reporting growth. Much of the elevated reading can be attributed to the indexes for business activity and new orders, which also both sit at all-time highs. Notably, the business activity index surged to 74.7 from 69.8 in November, proving Americans are itching to be out despite increasing COVID fears. Survey comments continue to be dominated by discussions related to supply chain shortages, signaling the possibility of even faster growth in the service sector if these problems can be fixed. On that note, today’s report showed recent progress for supply-chains on several fronts. Though still elevated, the backlog of orders index fell to 65.9 from 67.3, while the prices paid index ticked down from its record high, and the supplier deliveries index remained steady. Only time will tell if these improvements continue into the start of 2022, but recent similar movements from [the ISM Manufacturing report](#) out earlier this week also signal that the tides may be shifting. Importantly, there was also progress on the labor front, with the employment index shooting up to 56.5 from 51.6. Hiring in the service sector should be a tailwind for activity in the months ahead and help alleviate some of the supply-chain pressures that have been ingrained since the beginning of the pandemic. 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. In other recent news, car and light truck sales declined 0.7% in November to a 12.9 million annual rate. These sales are down 19.0% from a year ago. 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>	Nov-21	Oct-21	Sep-21	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	69.1	66.7	61.9	65.9	63.9	56.8
Business Activity	74.6	69.8	62.3	68.9	65.7	59.6
New Orders	69.7	69.7	63.5	67.6	65.3	59.0
Employment	56.5	51.6	53.0	53.7	53.0	51.5
Supplier Deliveries (NSA)	75.7	75.7	68.8	73.4	71.7	57.1
Prices	82.3	82.9	77.5	80.9	80.0	63.9

Source: Institute for Supply Management