

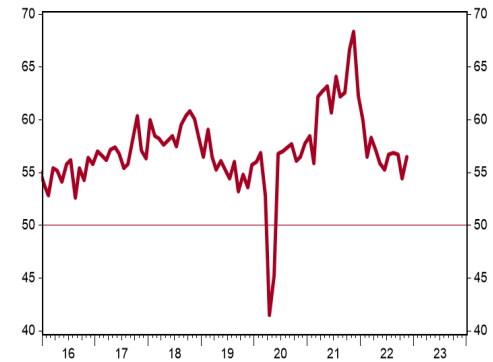
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November ISM Non-Manufacturing Index

- The ISM Non-Manufacturing index increased to 56.5 in November, well above the consensus expected 53.5. (Levels above 50 signal expansion; levels below signal contraction.)
- The major measures of activity moved mostly higher in November and all stand above 50, signaling growth. The business activity index increased to 64.7 from 55.7, while the new orders index ticked down to 56.0 from 56.5. The employment index increased to 51.5 from 49.1, while the supplier deliveries index declined to 53.8 from 56.2.
- The prices paid index declined to 70.0 in November from 70.7 in October.

Implications: The two November ISM reports were a great display of the divergence in the US economy between the goods and services sectors. The ISM Manufacturing index fell into contraction territory in November for the first time since the pandemic shutdowns. Meanwhile, the ISM Services index beat expectations, coming in at a hearty 56.5, with thirteen of eighteen industries reporting growth. Looking at the details of today’s report, the business activity index jumped to 64.7 from 55.7 in October. Combine that with its forward-looking counterpart – new orders – both indexes remain comfortably in expansion territory as we close out 2022. It’s clear that businesses and consumers are continuing to shift resources away from goods and toward the still re-opening services sector. Keep in mind that pre-pandemic, services made up roughly 69% of consumer spending. That number fell to 65% during the depths of the pandemic as people stopped going to concerts, movies, restaurants,...etc. Now as of Q3, that number has risen to 66%. Expect to see continued growth in the service sector in the months ahead as spending continues to shift back to the pre-pandemic status quo. In terms of the details, the employment index broke back into expansion territory, as survey comments continue to reiterate that *supply*, not *demand*, is what is holding back services jobs from moving higher. Finally, the prices paid index ticked down to a still elevated 70.0. While prices seem to be rising at a slower pace in some areas – inflation still exists – and it is clear that inflation is still a major problem in the service sector, with sixteen industries reporting paying higher prices in November. We expect the service sector to keep inflation trending well above the Fed’s 2.0% target for some time. For now, the service sector remains a source of strength in the US economy. Expect it to continue to do most of the heavy lifting as we return back to the pre-pandemic status quo.

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-22	Oct-22	Sep-22	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	56.5	54.4	56.7	55.9	56.1	68.4
Business Activity	64.7	55.7	59.1	59.8	59.4	72.5
New Orders	56.0	56.5	60.6	57.7	58.4	68.3
Employment	51.5	49.1	53.0	51.2	50.1	57.0
Supplier Deliveries (NSA)	53.8	56.2	53.9	54.6	56.4	75.7
Prices	70.0	70.7	68.7	69.8	72.2	83.0

Source: Institute for Supply Management