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November ISM Non-Manufacturing Index

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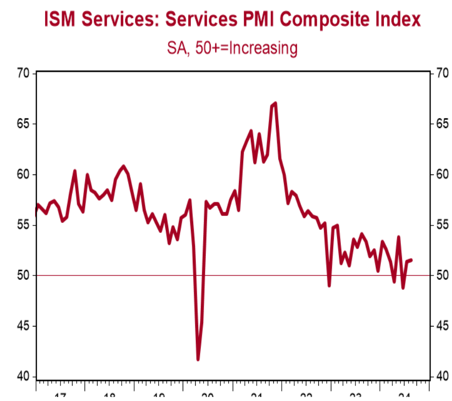
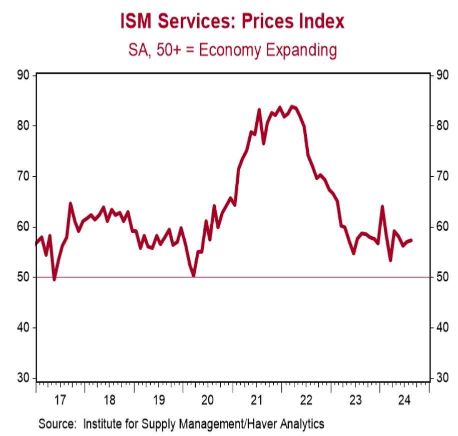
- The ISM Non-Manufacturing index declined to 52.1 in November, widely lagging the consensus expected 55.7. (Levels above 50 signal expansion; levels below signal contraction.)

- The major measures of activity were all lower in November. The business activity index declined to 53.7 from 57.2 and the new orders index also dropped to 53.7 from 57.4. The employment index declined to 51.5 from 53.0 and the supplier deliveries index fell to 49.5 from 56.4.

- The prices paid index ticked up to 58.2 in November from 58.1 in October.





Implications: Activity in the US service sector continued expanding in November but at a slower pace. The ISM Services Index declined to 52.1 in November, a three-month low for the index and weaker than even the most pessimistic forecast from any Economics group surveyed by Bloomberg. Looking at the details, the drop in the index can be attributed to lower readings for all major measures of activity. The business activity index and new orders index both declined to 53.7 in November, but still sit in expansion territory, signaling growth. The index for supplier deliveries fell into contraction territory at 49.5 (signaling shorter wait times) after hurricanes and port strikes juiced the index the previous month. Meanwhile, the employment index declined to 51.5 from 53.0, which was the highest level for the index in more than a year. The problem for hiring in the service sector used to be a lack of supply, but that is no longer the case, as some companies have reported hiring freezes and are no longer filling positions when people leave the company or retire. Finally, inflation remains a major problem in the service sector. The prices index edged higher to 58.2 in November – the highest level for any category in the report – with fourteen industries paying higher prices in the month. Meanwhile, survey comments were dominated by concerns surrounding new tariffs and uncertainty with how that will impact future pricing. And while monetary policy is tight (the M2 measure of the money supply is still down 1.9% from its peak in early 2022), it is less tight than it was before the Federal Reserve began cutting rates in September. We believe there are serious risks that an overly aggressive path of cuts could bring with them a pickup in the M2 measure of money, and with it a return of higher inflation. As for the economy, the service sector continues to be a lifeline for growth and represents a stark contrast to the manufacturing sector which has been limping along for the last two years. In other recent news, cars and light trucks were sold at a 16.5 million annual rate in November, up 1.5% from October and up 6.7% from a year ago. On the employment front, ADP's measure of private payrolls increased 146,000 in November versus a consensus expected 150,000. We're estimating Friday's government report will show a nonfarm payroll gain of more than 200,000 with the unemployment rate ticking up to 4.2%.

Non-Manufacturing ISM Index *Seasonally Adjusted Unless Noted*	Nov-24	Oct-24	Sep-24	3-month *moving avg*	6-month *moving avg*	Year-ago *level*
Composite Index	**52.1**	56.0	54.9	54.3	52.5	52.5
Business Activity	**53.7**	57.2	59.9	56.9	54.7	54.9
New Orders	**53.7**	57.4	59.4	56.8	53.9	54.8
Employment	**51.5**	53.0	48.1	50.9	50.0	50.6
Supplier Deliveries (NSA)	**49.5**	56.4	52.1	52.7	51.2	49.6
Prices	**58.2**	58.1	59.4	58.6	57.7	57.6

Source: Institute for Supply Management