

U.S. Data Review

- ISM nonmanufacturing: good order flow, but slow business activity

Michael Moran

Daiwa Capital Markets America
212-612-6392
michael.moran@us.daiwacm.com

ISM Nonmanufacturing Index

The nonmanufacturing index published by the Institute for Supply Management fell 0.8 percentage point in November to 53.9 percent, slightly softer than the expected reading of 54.5 percent. The latest observation was in the low portion of the range from the past several years and it trailed the average of 58.9 percent from 2018 by a sizeable margin (chart).

The headline figure tilted to the disappointing side, but shifts in various components were less troubling. The new orders index increased 1.5 percentage points to 57.1 percent, still shy of the 2018 average of 61.3 percent but solid by historical standards. Businesses also hired actively, as the employment index rose 1.8 percentage points to 55.5 percent, only moderately lighter than the average of 56.9 percent from last year.

The headline index was dragged lower by a retreat of 5.4 percentage points in the business activity index to 51.6 percent. The latest observation was the lowest since the early stages of the expansion, and it trailed the average from 2018 by almost 10 percentage points (61.5 percent). The drop is surprising in light of the respectable order flows and the active hiring by businesses. Given the apparently favorable environment, we suspect that the drop in business activity contained a healthy dose of statistical noise.

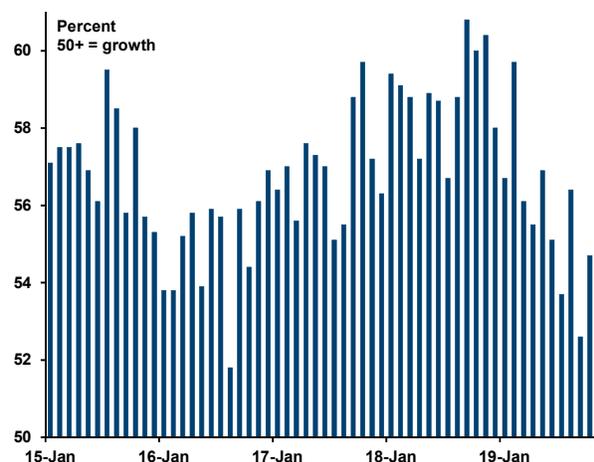
ISM Nonmanufacturing -- Monthly Indexes

	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
ISM Nonmfg. Composite	53.7	56.4	52.6	54.7	53.9
Business activity	53.1	61.5	55.2	57.0	51.6
New orders	54.1	60.3	53.7	55.6	57.1
Employment	56.2	53.1	50.4	53.7	55.5
Supplier deliveries*	51.5	50.5	51.0	52.5	51.5
Prices	56.5	58.2	60.0	56.6	58.5

* The supplier deliveries index is not seasonally adjusted. The index differs from the other components of the composite measure (business activity, new orders, employment) in interpretation. An index above 50 percent indicates slower deliveries and readings below 50 percent indicate faster deliveries.

Source: Institute for Supply Management via Haver Analytics

ISM Nonmanufacturing Index



Source: Institute for Supply Management via Haver Analytics

This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo ("Daiwa Securities") and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. These include: Daiwa Capital Markets Hong Kong Ltd. (Hong Kong), regulated by the Hong Kong Securities and Futures Commission, Daiwa Capital Markets Europe Limited (London), regulated by the Financial Conduct Authority and a member of the London Stock Exchange, and Daiwa Capital Markets America Inc. (New York), a U.S. brokerdealer registered with the U.S. Securities and Exchange Commission, a futures commission merchant regulated by the U.S. Commodity Futures Trading Commission, and a primary dealer in U.S. government securities. The data contained in this report were taken from statistical services, reports in our possession, and from other sources believed to be reliable. The opinions and estimates expressed are our own, and we make no representation or guarantee either as to accuracy, completeness or as to the existence of other facts or interpretations that might be significant.