

U.S. Data Review

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

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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.

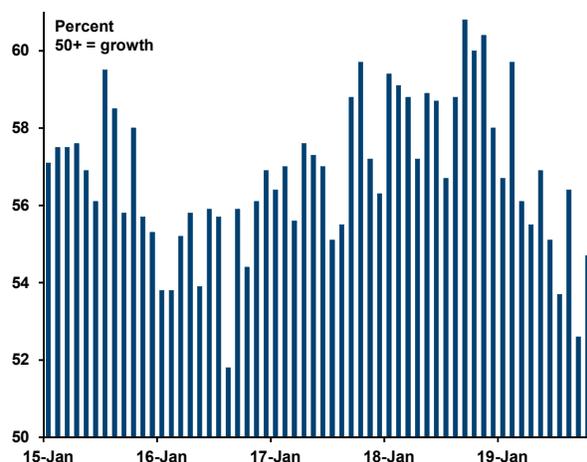
ISM Nonmanufacturing -- Monthly Indexes

	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

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