



# ISM Non-Manufacturing: Continued Growth in December

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### of Advisor Perspectives

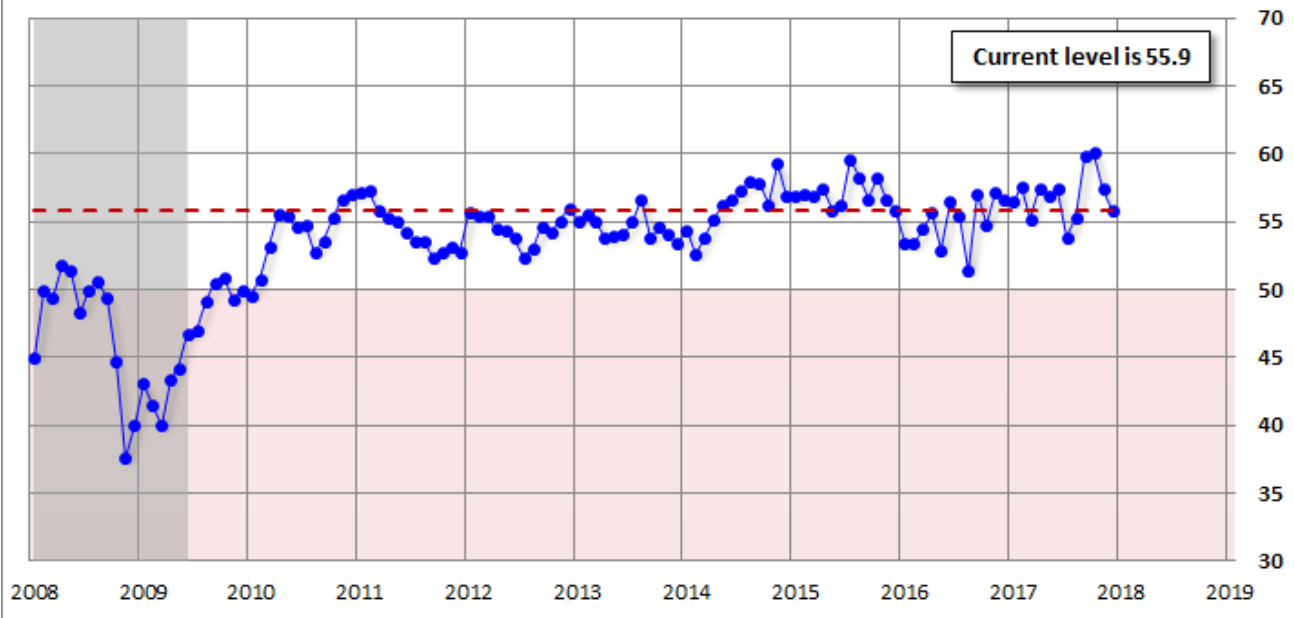
The Institute of Supply Management (ISM) has now released the December Non-Manufacturing Purchasing Managers' Index (PMI), also known as the ISM Services PMI. The headline Composite Index is at 55.9 percent, down 1.5 from 57.4 last month. Today's number came in below the Investing.com forecast of 57.8 percent.

Here is the report summary:

"The NMI<sup>®</sup> registered 55.9 percent, which is 1.5 percentage points lower than the November reading of 57.4 percent. This represents continued growth in the non-manufacturing sector at a slower rate. The Non-Manufacturing Business Activity Index decreased to 57.3 percent, 4.1 percentage points lower than the November reading of 61.4 percent, reflecting growth for the 101st consecutive month, at a slower rate in December. The New Orders Index registered 54.3 percent, 4.4 percentage points lower than the reading of 58.7 percent in November. The Employment Index increased 1 percentage point in December to 56.3 percent from the November reading of 55.3 percent. The Prices Index increased by 0.1 percentage point from the November reading of 60.7 percent to 60.8 percent, indicating that prices increased in December for the seventh consecutive month. According to the NMI<sup>®</sup>, 14 non-manufacturing industries reported growth. There has been a second consecutive month of pullback in the rate of growth. Overall, the majority of respondents' comments indicate that they finished the year on a positive note. They also indicate optimism for business conditions and the economic outlook going forward." [Source]

Unlike its much older kin, the ISM Manufacturing Series, there is relatively little history for ISM's Non-Manufacturing data, especially for the headline Composite Index, which dates from 2008. The chart below shows Non-Manufacturing Composite. We have only a single recession to gauge its behavior as a business cycle indicator.

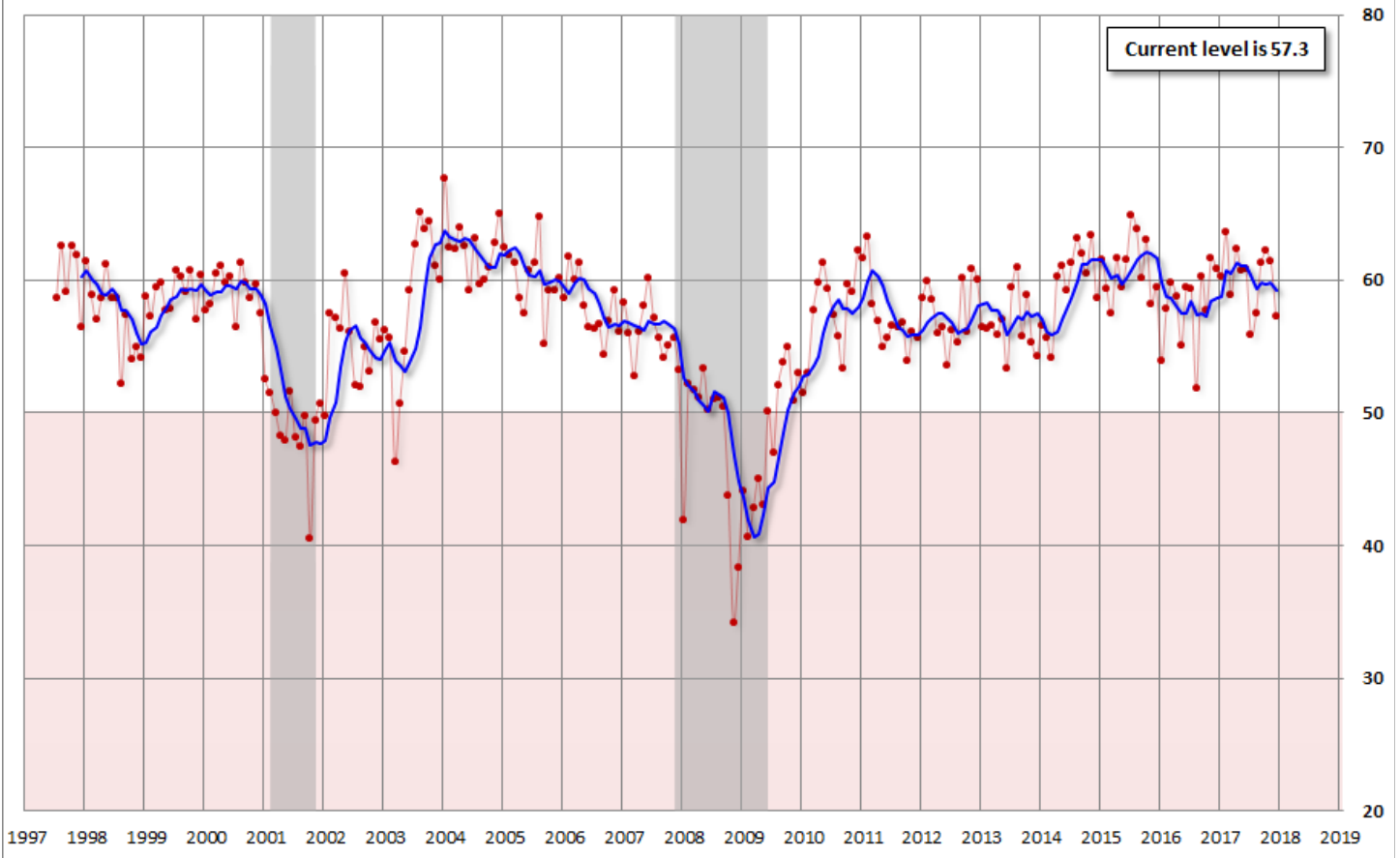
**ISM Non-Manufacturing: Composite Index**  
**Monthly Series with Recessions Highlighted**  
*Dashed line shows the current level*



The more interesting and useful subcomponent is the Non-Manufacturing Business Activity Index. The latest data point at 57.3 percent is down 4.1 percent from a seasonally adjusted 61.4 the previous month.

## ISM Non-Manufacturing: Business Activity Index Monthly Series with Recessions Highlighted

*Dots are the monthly values, blue line is the 6-month moving average*



For a diffusion index, this can be an extremely volatile indicator, hence the addition of a six-month moving average to help us visualize the short-term trends.

Theoretically, this indicator should become more useful as the time frame of its coverage expands. Manufacturing may be a more sensitive barometer than Non-Manufacturing activity, but we are increasingly a services-oriented economy, which explains our intention to keep this series on the radar.

Here is a table showing the trend in the underlying components.

**ISM® NON-MANUFACTURING SURVEY RESULTS AT A GLANCE**  
**COMPARISON OF ISM® NON-MANUFACTURING AND ISM® MANUFACTURING SURVEYS\***  
**DECEMBER 2017**

	Non-Manufacturing						Manufacturing		
Index	Series Index Dec	Series Index Nov	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Dec	Series Index Nov	Percent Point Change
<b>NMI®/PMI®</b>	55.9	57.4	-1.5	Growing	Slower	96	59.7	58.2	+1.5
<b>Business Activity/Production</b>	57.3	61.4	-4.1	Growing	Slower	101	65.8	63.9	+1.9
<b>New Orders</b>	54.3	58.7	-4.4	Growing	Slower	101	69.4	64.0	+5.4
<b>Employment</b>	56.3	55.3	+1.0	Growing	Faster	46	57.0	59.7	-2.7
<b>Supplier Deliveries</b>	55.5	54.0	+1.5	Slowing	Faster	24	57.9	56.5	+1.4
<b>Inventories</b>	53.5	54.5	-1.0	Growing	Slower	9	48.5	47.0	+1.5
<b>Prices</b>	60.8	60.7	+0.1	Increasing	Faster	7	69.0	65.5	+3.5
<b>Backlog of Orders</b>	50.0	51.5	-1.5	Unchanged	From Growing	1	56.0	55.0	+1.0
<b>New Export Orders</b>	56.5	57.0	-0.5	Growing	Slower	11	58.5	56.0	+2.5
<b>Imports</b>	52.5	52.5	0.0	Growing	Same	7	57.5	54.5	+3.0
<b>Inventory Sentiment</b>	62.5	56.0	+6.5	Too High	Faster	247	N/A	N/A	N/A
<b>Customers' Inventories</b>	N/A	N/A	N/A	N/A	N/A	N/A	42.0	45.5	-3.5
<b>Overall Economy</b>				Growing	Slower	101			
<b>Non-Manufacturing Sector</b>				Growing	Slower	96			

\***Non-Manufacturing ISM® Report On Business®** data is seasonally adjusted for the Business Activity, New Orders, Prices and Employment Indexes. **Manufacturing ISM® Report On Business®** data is seasonally adjusted for New Orders, Production, Employment and Supplier Deliveries.

\*\* Number of months moving in current direction.

Here is a link to our coverage of the latest ISM Manufacturing report.