

U.S. Institute for Supply Management Nonmanufacturing Index (Oct.) Still Near Full Throttle

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Bottom Line: While factories look to have stepped back, the rest of the U.S. economy stayed strong at the start of the fourth quarter.

The ISM nonmanufacturing index eased less than expected to 60.3 in October from the second highest reading on record back to 1997 (61.6). While business activity and employment slowed sharply (though you wouldn't know the latter from the recent payrolls report), other areas picked up the slack. Tariffs look to have dented imports (the index slid 4 points to 51.0), but not export orders (the index held at an elevated 61.0), though you wouldn't know it from the recent U.S. trade reports. Overall new orders slowed a bit but stayed robust (61.5), flagging firm production in the months ahead. As in September, all but one of 18 industries reported growth.

While prices paid for materials and supplies decelerated, they continue to rise sharply (61.7) amid longer vendor delivery times. In addition, although respondents continued to cite strong demand for products, they appear increasingly concerned about tariffs and shortages impeding production and raising costs.

The still-elevated level of the ISM index suggests some **modest upside risk to our Q4 real GDP growth call of 2.6%**.



ISM Nonmanufacturing Index

United States (percent reporting)

	Oct	Sep	Aug	18Q3	18Q2	Oct 17
Nonmanufacturing ISM	60.3	61.6	58.5	58.6	58.2	59.8
Business Activity	62.5	65.2	60.7	60.8	61.4	61.5
Employment	59.7	62.4	56.7	58.4	53.8	57.0
New Orders	61.5	61.6	60.4	59.7	61.2	62.6
Prices Paid	61.7	64.2	62.8	63.5	62.3	61.5
Backlog of Orders (n.s.a.)	53.5	58.5	56.5	55.5	56.3	53.5
Supplier Deliveries (n.s.a.)	57.5	57.0	56.0	55.3	56.2	58.0
New Export Orders (n.s.a.)	61.0	61.0	60.5	59.8	59.8	60.0

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