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An analysis of the latest economic data

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U.S. Institute for Supply Management Nonmanufacturing Index (Nov.)

US Nonmanufacturers Holding Up

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The U.S. nonmanufacturing ISM unexpectedly rose in November, up 0.4 pts to a 2-month high of 60.7 (similar to its manufacturing cousin), or just 1.3 pts away from the record high. The details looked respectable, with new orders up 1 pt to a 5-month high of 62.5 (although this could reflect some pulling forward of orders ahead of the anticipated rise in tariffs), and business activity up 2.7 pts to match September's 15-year high of 65.2. Employment slipped 1.3 pts to a 3-month low of 58.4 but this could be a factor of the inability to find qualified workers. Supplier deliveries were less delayed, which is not a bad thing but it did hold the headline back. For the 3rd consecutive month, all but 1 of the 18 industries surveyed reported growth, and their comments were upbeat but there were clearly concerns about trade and the labor supply. Check it out:

"*Relatively stable business conditions. Input costs are corn- and soy-based, so the ongoing trade dispute with China presents challenges and opportunities. The chief dilemmas are: When will the dispute be resolved, and what will the market reaction be?*" (Agriculture, Forestry, Fishing & Hunting)

"*Commercial construction is strong. Employment is struggling due to lack of qualified talent*." (Construction)

"*Midway through Q4, and on track for another good year. Conditions are favorable and look to remain so going into 2019*." (Finance & Insurance)

"*Business is booming. Labor costs are rising*." (Information)

"*November continues our busy season, at a higher rate than we anticipated. Both internal and supplier resources have had success gaining some ground back on backlog of orders. A large volume of orders is always expected this time of year, but this year, it has been busier than our organization and suppliers anticipated*." (Management of Companies & Support Services)

"*Business continues to improve internationally, but there is a slowdown in domestics offshore and leveling in domestic onshore, which directly affects our business. There are concerns about domestic trucking and international flat rack availability. There is also discussion of implementation of trucking e-log requirements in Mexico sometime in 2019 or 2020. That could affect our trucking providers' lead time for delivery-support services in the Mexican region*." (Other Services)

"*The imposition of and threats to impose tariffs are having a negative effect on several capital-improvement projects in progress. The contractors*

ISM Nonmanufacturing Index

United States (percent reporting)

	Nov	Oct	Sep	18Q3	18Q2	Nov 17
Nonmanufacturing ISM	60.7	60.3	61.6	**58.6**	**58.2**	**57.3**
Business Activity	65.2	62.5	65.2	**60.8**	**61.4**	**61.1**
Employment	58.4	59.7	62.4	**58.4**	**53.8**	**55.4**
New Orders	62.5	61.5	61.6	**59.7**	**61.2**	**58.8**
Prices Paid	64.3	61.7	64.2	**63.5**	**62.3**	**60.1**
Backlog of Orders (n.s.a.)	55.5	53.5	58.5	**55.5**	**56.3**	**51.5**
Supplier Deliveries (n.s.a.)	56.5	57.5	57.0	**55.3**	**56.2**	**54.0**
New Export Orders (n.s.a.)	57.5	61.0	61.0	**59.8**	**59.8**	**57.0**

have submitted change order requests for those items impacted, especially those with a steel component. The increases are not expected or budgeted for." (Public Administration)

"*The business is preparing for the later phases of tariffs by slowing down growth and capital investment until the future becomes clearer. We are starting to pull months of inventory in before the next round of tariffs hit, so there is a lot of activity on our logistics side*." (Retail Trade)

"*We are still experiencing low service levels with transportation*." (Wholesale Trade)