Solid Report for the ISM Non-Manufacturing Index

The ISM non-manufacturing index rose 1.1 point to 55.0 in December. This report should calm fears of weakness in the ISM manufacturing index spilling into the service sector.

Rebound in Current Activity
- Current conditions rebounded in December as the largest gain came from the business activity sub-index, up 5.6 points. That serves as the latest indication that activity in the service sector continues to hold up as manufacturing activity has floundered.
- Other purchasing manager indices—Markit and regional Fed—were consistent with the December gain in the ISM non-manufacturing index, confirming stabilization within the sector.

New Orders Lower, but Growth Likely to Continue
- The employment components of the ISM surveys act as a good indication for near-term payroll gains. The non-man employment component declined modestly in December, but at 55.2 suggests a solid read for nonfarm payrolls—released Friday.
- The forward-looking new orders component fell 2.2 points—the largest decline of any sub-index. New orders remain comfortably in expansion territory, suggesting continued growth in the sector.

Source: Institute for Supply Management, Federal Reserve Board, IHS Markit and Wells Fargo Securities