

# U.S. Data Review

- ISM services: record level
- Factory orders: modest advance; restrained by transportation

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## ISM Services Index

The service index published by the Institute for Supply Management jumped 4.8 percentage points in October, easily beating the consensus view of essentially no change and moving to a new record level (66.7 percent). The previous record was set only a few months ago; before that reading and several others in the current cycle, the previous high occurred in 1997, when the series was initiated (62.0 in August 1997).

Both the new orders and business activity components contributed to the strong showing, with these indexes increasing 6.2 and 7.5 percentage points, respectively. Both measures also moved to record levels (69.7 percent and 69.8 percent, respectively). Despite the strong flow of orders and elevated level of business activity, the employment index fell 1.4 percentage points from a less-than-impressive level, moving to 51.6 percent. The out-of-step reading could reflect difficulty in finding workers.

The supplier deliveries component also contributed importantly to the increase in the headline index, jumping 6.9 percentage points to 75.7 percent (chart). This was not a record reading, but the only observation that was higher occurred in April 2020 (78.3 percent), when the economy was shut down with the initial wave of the pandemic. The jump from an already elevated level indicated that supply-chain problems persist. Supply problems also were evident in the price index, which rose 5.4 percentage points to 82.9 percent, just shy of the record reading of 83.5 in September 2005. Inventory indexes published with the report (not part of the headline measure) tumbled to near-record lows, suggesting that businesses were drawing on stocks to cope with supply problems.

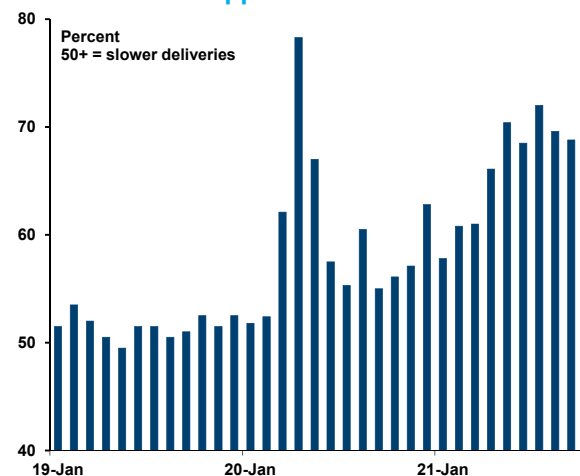
## ISM Services: Monthly Indexes

	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
ISM Nonmfg. Composite	60.1	64.1	61.7	61.9	66.7
Business activity	60.4	67.0	60.1	62.3	69.8
New orders	62.1	63.7	63.2	63.5	69.7
Employment	49.3	53.8	53.7	53.0	51.6
Supplier deliveries*	68.5	72.0	69.6	68.8	75.7
Prices	79.5	82.3	75.4	77.5	82.9

\* 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

## ISM Services: Supplier Deliveries Index\*



\* An index above 50 percent indicates slower deliveries and readings below 50 percent indicate faster deliveries.

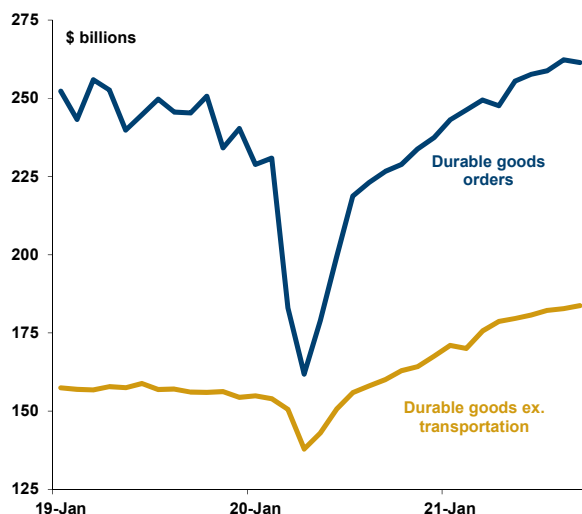
Source: Institute for Supply Management via Haver Analytics

## Factory Orders

Factory orders rose only modestly in September (0.2 percent). The softness was concentrated in the durable component, where bookings fell 0.3 percent (revised up from the preliminary estimate of -0.4 percent published last week; chart, left). This weakness, in turn, was concentrated in the transportation component, which sometimes moves erratically. The drop of 2.3 percent in transportation bookings was led by a decline of 27.9 percent in orders for commercial aircraft after a high-side reading in August. The drop can be viewed as ordinary volatility in a noisy area. Orders for motor vehicles fell 3.0 percent, likely reflecting some influence from the shortage of semiconductors. Orders for durable goods excluding transportation rose 0.5 percent (chart, left). Given the tightness in supplies, a good portion of this increase probably reflected higher prices, but real activity likely inched ahead as well.

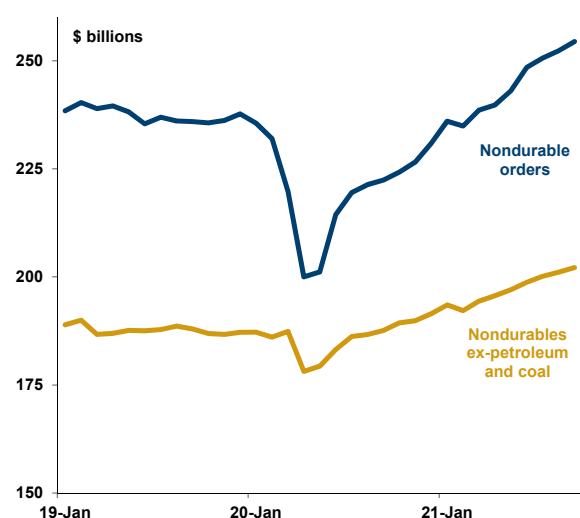
Orders for nondurable goods rose 0.8 percent (chart, right). The petroleum and coal category contributed importantly with an increase of 2.1 percent, with a substantial portion (perhaps all) of this increase reflecting higher prices. Excluding petroleum and coal, nondurable orders rose 0.5 percent, marking the seventh consecutive increase and the 16th advance in the past 17 months (chart, right). As with durable goods, some of this increase probably reflected higher prices, but the strong advance in the past 17 months signals a solid recovery.

### New Orders for Durable Goods



Source: U.S. Census Bureau via Haver Analytics

### New Orders for Nondurable Goods



Source: U.S. Census Bureau via Haver Analytics