

The US economy is storming ahead

The ISM non-manufacturing figures are astonishing and we reckon not much will stop a December rate hike



59.8 ISM non-manufacturing index

Highest for 12 years

Better than expected

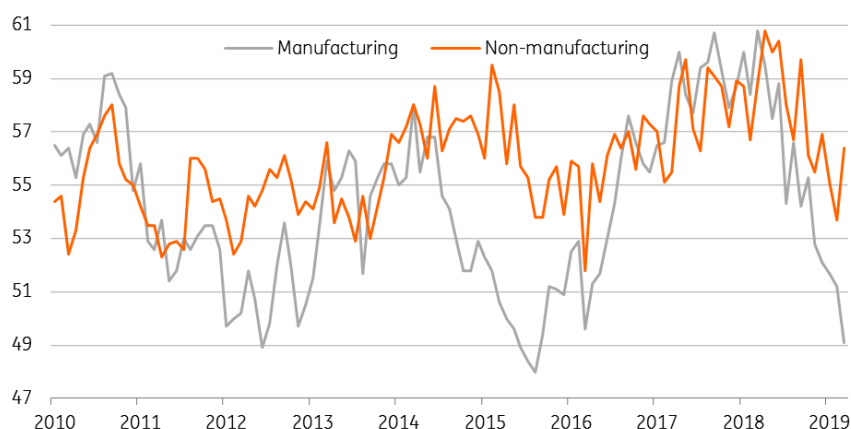
Monday's ISM manufacturing index was fantastic – the highest reading for 13 years – and the non-manufacturing ISM index isn't far behind. It has jumped from 55.3 to 59.8 – the strongest reading in 12 years. Admittedly this jump is partly down to a rebound from the recent hurricanes, but the strength clearly evident in the details of the report underlines the point that the US corporate sector is in great shape. A strong domestic economy is driving output and new orders while a fairly soft dollar and strong global demand are boosting exports.

The non-manufacturing survey shows business activity jumping five points while new orders jumped six points – the index has only been higher on two occasions in the past twelve years. Employment is also looking very strong at 56.8 versus the 50 break even level, which gives us confidence to assert that any softness in Friday's payrolls report relating to hurricane effects will

be swiftly reversed in coming months.

As such today's report reinforces our view that the only thing stopping a December Federal Reserve interest rate hike is the potential for debt ceiling issues coming to a head, risking a government shutdown around year-end. Inflation wise, the price paid component indicates that the decline in inflation rates seen through this year will soon come to an end and the Fed is right to assert that disinflation was merely transitory.

ISM surveys show strength of the economy



Author

James Knightley

Chief International Economist

james.knightley@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.