



Written by [Bob Adelman](#) on October 5, 2020

Report: Manufacturing, Service Sectors Expanding

The Institute for Supply Management (ISM) [reports](#) that the economy is continuing its remarkable and robust recovery from the COVID-inspired and government-mandated shutdown. ISM is the world's oldest and largest supply-management association and has been tracking world economies for more than 100 years.

According to Timothy Fiore, chair of ISM's manufacturing survey committee, economic activity in the manufacturing sector "grew in September, with the overall economy notching a fifth consecutive month of growth" following the shutdown. Specifically,



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Demand expanded, with the New Orders Index growing at strong levels;

The Customers' Inventories Index [is] at its lowest figure since June 2010, a level considered positive for future production; and

The Backlog of Orders Index [is] expanding at a faster rate than the prior two months.

"Five of the top six industries," said Fiore, are "continuing to expand output strongly." "Business is booming," wrote a representative in the Transportation Equipment sector. "Overall business conditions are improving," said a member in Fabricated Metal Products. From the Machinery sector, a member added, "Our customer order intake is increasing significantly for deliveries in the first half of 2021. [Our] outlook is generally positive."

A manager in Electrical Equipment, Appliances, and Components said, "Demand remains high [with a] strong finish to 2020 projected, with an even stronger 2021 fiscal year [anticipated]." And from a respondent in Plastics and Rubber Products: "Business has continued to be strong, with September following August. October is also shaping up to be a good sales month as well."

Manufacturing, however, is overshadowed in size by the Services sector of the U.S. economy, which is enjoying a similar revival. The overall Services Index for September clocked in at 57.8 (any number above 50 indicates an expanding economy), growing for the fourth month in a row. ISM's Supplier Deliveries Index is at 54.9, its New Orders Index is at 61.5, while its Business Activity Index scored 63 in September.

Sixteen of the 17 Services sectors reported growth in September. Most impressively, ISM's Employment Index came in at 51.8, the first time since March that it registered expansion in hiring in the Services sector.

From the Construction sector, a member wrote, "Work orders are improving rapidly. Lack of available labor is having a significant impact on our ability to fulfill orders." In Mining, a member responded,



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“Activity level is holding steady, with [an] optimistic outlook.” From Retail Trade: “Business has come back solidly since mid-July, with a strong August and September. And from Wholesale Trade: “Very good sales trend in home improvement product sales.”

All of this comes on top of the Labor Department’s report on Friday showing the economy adding 770,000 new workers in September, dropping the unemployment rate below eight percent for the first time since March. Accordingly, unemployment numbers are dropping, reflecting increasing consumer confidence. In fact, the Consumer Confidence Index, published by the Commerce Department, leapt by the biggest amount in 17 years — from 86.3 in August to 101.8 in September.

And the best is yet to come. Forecasters are expecting the Commerce Department to report later this month that growth in the third quarter will come in at well over 30 percent on an annualized basis, just in time for the election on November 3.

So strong is the rebound that expectations are that it will continue well into the New Year and beyond. With additional tax and regulatory cuts promised by the president in his second term, it looks like clear sailing ahead for the U.S. economy.

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