

# January ISM Manufacturing Index

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- The ISM manufacturing index rose to 53.1 in January from 50.2 in December, coming in well above the consensus expected 50.7. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly higher in January and all remain above 50. The new orders index rose to 53.3 from 49.7 and the production index increased to 53.6 from 52.6 while the employment index gained to 54.0 from 51.9. The supplier deliveries index ticked down slightly to 53.6 from 53.7.
- The prices paid index rose to 56.5 in January from 55.5 in December.

**Implications:** The new year starts with a solid report on manufacturing sentiment as the ISM manufacturing index surprised to the upside in January rising to 53.1, the best reading since April. According to the Institute for Supply Management, a level of 53.1 is consistent with real GDP growth of 3.4%. More likely, today's data is consistent with what will be roughly 2.5% real GDP growth in Q1. We expect manufacturing to continue to improve over the coming months as the negative effects of policy uncertainty and Sandy continue to subside. The best news in today's ISM report was that the employment index rose, coming in at 54.0, the highest level since June. Also, the new orders index showed expansion again and moved to the highest level since May. Despite the softness shown in some regional manufacturing surveys, the overall manufacturing sector looks to be doing just fine. On the inflation front, the prices paid index rose to 56.5 in January from 55.5 in December. We expect prices, and inflation, to continue to gradually move higher. In other news this morning, construction increased 0.9% in December (+2.2% including revisions for prior months). The gain in December was due to home building (particularly home improvements) as well as commercial construction (led by power plants, manufacturing facilities, and higher education buildings). Home building is up 24% from a year ago while commercial construction is up 8%. Look for continued gains in these categories in the year ahead.

**ISM Mfg: PMI Composite Index**  
 SA, 50+ = Econ Expand



**ISM Mfg: Production Index**  
 SA, 50+ = Econ Expand

**ISM Mfg: New Orders Index**  
 SA, 50+ = Econ Expand



Institute for Supply Management Index	Jan-13	Dec-12	Nov-12	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
<b>Business Barometer</b>	<b>53.1</b>	50.2	49.9	51.1	51.2	53.7
<i>New Orders</i>	<b>53.3</b>	49.7	51.1	51.4	51.3	56.5
<i>Production</i>	<b>53.6</b>	52.6	53.1	53.1	52.2	54.9
<i>Inventories</i>	<b>51.0</b>	43.0	45.0	46.3	48.8	49.5
<i>Employment</i>	<b>54.0</b>	51.9	50.1	52.0	52.4	55.3
<i>Supplier Deliveries</i>	<b>53.6</b>	53.7	50.1	52.5	51.3	52.2
<i>Order Backlog (NSA)</i>	<b>47.5</b>	48.5	41.0	45.7	44.2	52.5
<i>Prices Paid (NSA)</i>	<b>56.5</b>	55.5	52.5	54.8	55.3	55.5
<i>New Export Orders</i>	<b>50.5</b>	51.5	47.0	49.7	48.8	55.0

Source: National Association of Purchasing Management