

April ISM Manufacturing Index

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- The ISM manufacturing index declined to 50.7 in April from 51.3 in March, coming in above the consensus expected 50.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in April but all remain above 50. The new orders index rose to 52.3 from 51.4 and the production index increased to 53.5 from 52.2, while the supplier deliveries index rose to 50.9 from 49.4. The employment index slipped to 50.2 from 54.2.
- The prices paid index dropped to 50.0 in April from 54.5 in March.

Implications: Another plow horse report today for manufacturing. The ISM manufacturing index declined to 50.7, slightly better than consensus, and is still showing expansion in the factory sector. According to the Institute for Supply Management, an index level of 50.7 is consistent with real GDP growth of 2.7% annually. Both new orders and production have picked up in the past three months, a good sign going forward for further manufacturing gains. The worst news in today's ISM report was that the employment index declined to 50.2, the lowest level since November 2012, confirming our forecast that the manufacturing sector probably lost jobs in April (we think 10,000) which will be reported in Friday's Employment report. On the inflation front, the prices paid index declined to 50.0 in April from 54.5 in March. Given loose monetary policy, we expect inflation to gradually move higher. In other news this morning, the ADP Employment index, which measures private payrolls, increased 119,000 in April. This is a bit softer than the consensus expected gain of 150,000. But plugging today's report into our payroll models suggests a gain of 170,000 nonfarm and 180,000 private. The official Labor report will be released Friday morning. In still other news this morning, construction declined 1.7% in March (-3.2% including revisions to prior months), well short of the consensus expected gain of 0.6%. Time will tell, but for now, it appears that unusually cold March temperatures held down building activity. Despite the weather, home building continued to grow in March. However, commercial construction declined 1.5% and government construction fell 4.1%, the steepest drop in more than a decade. The Case-Shiller index, which measures home prices in the 20 largest metro areas, increased 1.2% in February (seasonally-adjusted) and is up 9.3% from a year ago. The gain in February was the largest for any month since the peak of the housing boom in 2005. Recent price gains have been led by Las Vegas, Phoenix, San Francisco, and Los Angeles.

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	Apr-13	Mar-13	Feb-13	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
Business Barometer	50.7	51.3	54.2	52.1	51.6	54.1
New Orders	52.3	51.4	57.8	53.8	52.6	57.6
Production	53.5	52.2	57.6	54.4	53.8	59.0
Inventories	46.5	49.5	51.5	49.2	47.8	48.5
Employment	50.2	54.2	52.6	52.3	52.2	56.8
Supplier Deliveries	50.9	49.4	51.4	50.6	51.5	48.7
Order Backlog (NSA)	53.0	51.0	55.0	53.0	49.3	49.5
Prices Paid (NSA)	50.0	54.5	61.5	55.3	55.1	61.0
New Export Orders	54.0	56.0	53.5	54.5	52.1	59.0

Source: National Association of Purchasing Management

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