

# September ISM Manufacturing Index

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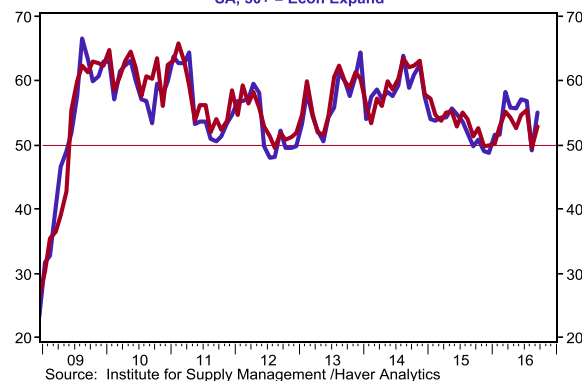
- The ISM manufacturing index rose to 51.5 in September, beating the consensus expected level of 50.4. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly higher in September. The new orders index rose to 55.1 from 49.1 in August, while the production index increased to 52.8 from 49.6. The employment index moved higher to 49.7 from 48.3, while the supplier deliveries index slipped to 50.3 from 50.9 in August.
- The prices paid index was unchanged at 53.0 in September.

**Implications:** The ISM manufacturing index came in at 51.5 in September, beating consensus expectations and showing a return to growth in manufacturing activity following August's surprise decline. While not booming, the September reading beats the average level of 50.9 seen through the first nine months of 2016. The best news in today's report came from the two most forward looking measures – new orders and production – which both jumped in September and suggest continued growth in the months ahead. And with the exception of the employment index, which rose to 49.7 from 48.3 in August, all other major measures of activity now stand above 50, signaling expansion. Some may point to the muted readings from the ISM manufacturing index and declines in manufacturing payrolls as signs the economy is teetering on the edge of a recession, and while the manufacturing sector has consistently lagged the larger service sector throughout the recovery, cries of a collapse are seriously overdone. Given continued gains in total employment, rising wages, and healthy consumer spending, we expect both the ISM manufacturing and service sector indexes to continue a steady expansion in the coming months. On the inflation front, the prices paid index was unchanged at 53 in September, signaling a continued rise in prices. Taken as a whole, today's report still leaves something to be desired, but it shows the plow horse keeps plodding forward. In other news today, construction spending declined 0.7% in August and fell 1.0% including revisions to prior months. The declines in August came primarily from the public sector, led by a drop in spending on transportation, highways & streets, and power plant projects.

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	Sep-16	Aug-16	Jul-16	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>51.5</b>	49.4	52.6	51.2	51.5	50.0
<b>New Orders</b>	<b>55.1</b>	49.1	56.9	53.7	54.9	49.8
<b>Production</b>	<b>52.8</b>	49.6	55.4	52.6	53.2	51.4
<b>Inventories</b>	<b>49.5</b>	49.0	49.5	49.3	47.8	48.5
<b>Employment</b>	<b>49.7</b>	48.3	49.4	49.1	49.4	50.2
<b>Supplier Deliveries</b>	<b>50.3</b>	50.9	51.8	51.0	51.9	49.9
<b>Order Backlog (NSA)</b>	<b>49.5</b>	45.5	48.0	47.7	48.8	41.5
<b>Prices Paid (NSA)</b>	<b>53.0</b>	53.0	55.0	53.7	57.3	38.0
<b>New Export Orders</b>	<b>52.0</b>	52.5	52.5	52.3	52.6	46.5

Source: National Association of Purchasing Management